Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Dia0 650	Israel	NS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils.500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils.500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	SL125.00	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Japan: Market opens at last, Page 20

World News

Saudi missile sites may be bombed, Israel warns

SAUDI ARABIA'S purchase of Chinese-made surface-to-surface missiles with a range of more than 2,000 miles has prompted demands from Mr Yitzhak Shamir, Israel's Prime Minister, for their immediate removal, coupled with warnings from senior Israeli officials that their launch sites could be bombed. Page 22

Israeli soldier killed

A 28-year-old reservist yesterday became the first Israeli fatality of the Palestinian uprising. He was shot in the head while on guard duty in Bethlehem. Later, Israeli troops rounded up more than 200 Palestinians for questioning and began a search of the area. Page 3

Salvadorans go to polls

Salvadorans voted yesterday in legislative and municipal elections after leftist guerrillas blew up transmission towers north of San Salvador, leaving most of the country without electricity.

Activists plan strike

Anti-apartheid activists in South Africa today attempt to mobilise the first nationwide protest since leading black opposition groups were banned last month. There have been appeals for a "national day of protest" to commemorate the 28th anniversary of the Sharpeville massacre and to protest against the banning of any activity by the United Democratic Front and 16 other groups.

Missile war continues

Iran attacked a ship in the Gulf and launched at least one missile at Baghdad as the Iran-Iraq "war of the cities" entered its fourth week. Iraq said its warplanes hit five Iranian towns and cities. Gulf shipping sources said Iranian gunboats attacked a ship in apparent retaliation for an Iraqi raid on an oil terminal. Page 4

Zhao urges bold reform

Communist Party chief Zhao Ziyang urged faster, more open and bolder reforms in China's government and the economy. He made clear his opposition to calls for caution and said China should offer incentives to attract foreign investment. Page 4

Afghan rebels rejection

Afghan guerrillas denounced Moscow's offer to withdraw from Afghanistan as a means of pressuring Washington and its ally Pakistan into a peace settlement.

Sri Lanka deploys army

Hundreds of Sri Lankan troops moved into parts of the island's east at the weekend to prevent attacks on Sinhalese by Tamil separatist guerrillas after a string of killings in the eastern district this month.

PLO seeks delay

The Palestine Liberation Organisation (PLO), under US orders to shut its UN mission today, hopes to delay the closure through legal manoeuvres. Lawyers are seeking federal court jurisdiction which might win a 20-day suspension of the closure order. Page 3

One term for Aquino

Philippines President Corazon Aquino said she did not plan to seek re-election in 1992 because she was "really just meant for one term."

S Korean parties divide

Last-minute efforts to unite South Korea's divided political opposition before next month's National Assembly elections virtually collapsed yesterday with rival parties accusing each other of insincerity. The two main opposition groups are expected to call off merger talks today.

Israeli push in Lebanon

Tank-led Israeli troops backed by helicopter gunships have thrust into south Lebanon in their deepest push this year in an apparent bid to knock out bases used for cross-border missiles attacks.

Business Summary

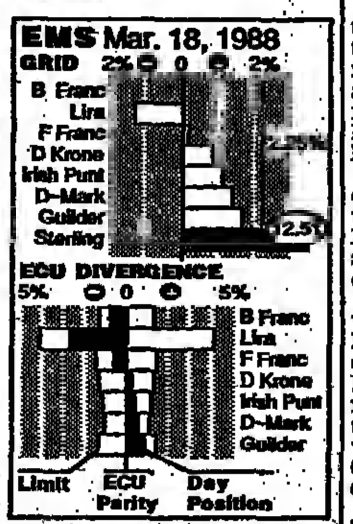
IADB loans fall sharply over dispute on funding

LOANS ADVANCED by the Inter-American Development Bank, Latin America's multilateral financing body, fell sharply last year, because of a long and damaging dispute over its future funding. The IADB approved only $2.36bn of new loans in 1987, its annual report says, well below the $3.04bn of 1986 and the record $3.57bn of 1984. Page 22

EUROPEAN Monetary System: The French and Belgian francs were both a little easier in the EMS last week. Trading started rather unsettled, as traders awaited details of the UK budget and the release of US trade data.

The dollar's reaction to better than expected figures was confined to small gains and trading still seemed to lack direction.

With French presidential elections due on April 24 and May 8, there was speculation that some form of re-alignment would be made soon after, especially with the Italian lira showing signs of weakness.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

BAYERISCHE VEREINSBANK, biggest bank in Bavaria, saw partial operating profits fall by 10.5 per cent at parent bank level, to DM403m ($236m) last year. Total operating profits fell by about 20 per cent. Page 25

INCO, Western world's largest nickel producer, is hiring again for the first time in nearly a decade. The company has been sizing down, mostly because of the long depression in world nickel markets. Page 25

PROCORDIA, Swedish state holding company which was partly privatised last summer, reported a 51 per cent increase in profits after financial items to SKr1.36bn ($227.8m) in 1987.

ELSEVIER, second-largest Dutch publisher, boosted earnings by 33 per cent last year as a result of the acquisition of a big stake in its arch rival, Wolters Kluwer, and because of greater efficiencies. A 44 per cent higher dividend of Fl 1.15 per share was declared for 1987. Page 24

HEES International Corporation, investment banking group controlled by by Peter and Edward Bronfman of Toronto, plans to take a 35 per cent interest in troubled Versatile Corporation, one of Canada's three surviving shipbuilders. Page 25

MASS DEFECTION of employees from Purcell Graham, the Eurobond broker, ended unfortunately for 15 of the people involved last week, when Cantor Fitzgerald, their new employer, closed its Hong Kong operation just nine months after recruiting them to set it up. Page 25

NESTLE, Swiss foods group, plans to appoint former US Federal Reserve chairman Paul Volcker to its board.

London seeks urgent report on 'savage' Ulster killings

BY KIERAN COOKE IN BELFAST AND PETER RIDDELL IN LONDON

THE British Army and the Royal Ulster Constabulary were both trying yesterday to piece together the events of Saturday when two British soldiers died after being beaten and shot by a frenzied crowd during an IRA funeral procession in West Belfast.

Saturday's events came only three days after three people died and more than 50 were injured when a loyalist bomber attacked another IRA funeral.

The murders of Corporal Derek Wood, 24, and Corporal David Howes, 23, both of the Royal Corps of Signals, have been condemned as "an act of appalling savagery" by Mrs Margaret Thatcher, the British Prime Minister.

Mr Tom King, the Northern Ireland Secretary, who flew back to Belfast from London yesterday in face of a growing tide of violence in Britain's troubled province of Northern Ireland, has called for a full and urgent report into "these horrific killings." Mr King will report on the weekend's events to Parliament today.

Attention focuses on why the two soldiers, both on duty, were in the Republican heartland of West Belfast at a time when tension was exceptionally high. The Army has special "tribal maps" of Northern Ireland, showing a green and orange patchwork of the various Republican and Loyalist areas. West Belfast and in particular the Falls and Andersonstown Roads along which the soldiers had been driving, is coloured in a very deep green.

Lt Colonel Martin Roberts of the Royal Signals Corps said the two dead soldiers had been on their way back to army HQ at Lisburn barracks south of Belfast when they blundered into the IRA funeral cortege. The soldiers had tried to escape but had been dragged from their car, beaten and then shot.

The army has dismissed theories that the two were on a surveillance mission and that their car, destroyed by republicans after the attack, had been equipped with special monitoring equipment.

Onlookers described how a silver VW Passat had mounted the pavement and with lights flashing and horn sounding had driven past the funeral cortege of Kevin Brady, an IRA member shot in the course of the cemetery bombing on Wednesday.

The car's progress had been blocked by the crowd. It reversed

Continued on Page 22

Departure of Noriega delayed by row with US over military role

BY DAVID GARDNER IN MEXICO CITY

THE PANAMANIAN Defence Forces have decided that Gen Manuel Antonio Noriega must leave the country, after firmly backing him throughout more than nine months of opposition protest.

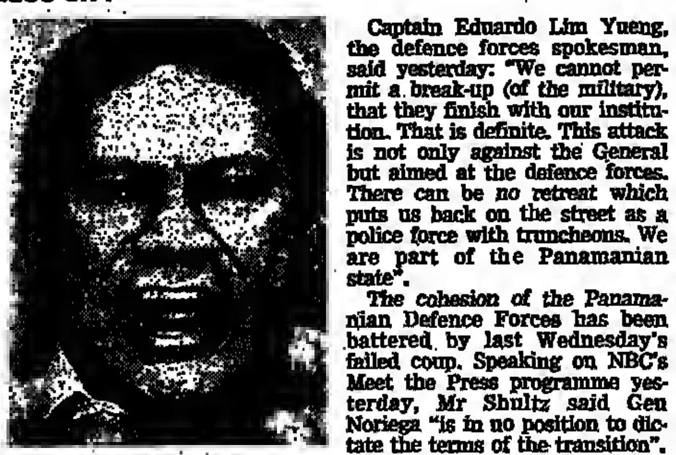
But his departure is being held up by a dispute with the US over the future role of the defence forces in Panamanian politics and society. One senior government official said Gen Noriega had originally been expected to leave early yesterday.

In Washington over the weekend, Mr George Shultz, US Secretary of State, confirmed that Gen Noriega's days were numbered and called upon him to step down.

President Manuel Solis Palma, whom Gen Noriega appointed on February 26 to replace the deposed President Eric Arturo Del Valle, was yesterday afternoon due to have announced a transitional programme which would come into effect after the General's departure, senior Government officials say.

This plan was frustrated by the breakdown of negotiations on Saturday between Gen Noriega and a senior US delegation led by Assistant Secretary of State Mr William Walker.

The defence forces on Saturday afternoon rejected US demands as "unacceptable and anti-Panamanian" after two rounds of talks. However, contacts have not broken down. Gen Noriega is understood to have demanded that



Noriega: departure

drugs charges against him in the US be dropped and that he be allowed to remain in Panama.

These issues can probably be resolved; but a third demand, that Gen Noriega and his General Staff be allowed to restructure the military, which would retain a prominent role in public life, is where the negotiations are foundering.

Captain Eduardo Lim Yueng, the defence forces spokesman, said yesterday: "We cannot permit a break-up (of the military), that they finish with our institution. That is definite. This attack is not only against the General but aimed at the defence forces. There can be no retreat which puts us back on the street as a police force with truncheons. We are part of the Panamanian state".

The cohesion of the Panamanian Defence Forces has been battered by last Wednesday's failed coup. Speaking on NBC's Meet the Press programme yesterday, Mr Shultz said Gen Noriega "is in no position to dictate the terms of the transition".

The Government has literally run out of money. Officials say attempts to get fresh funds from Libya and from what US officials describe as a "narco-bank" linked to the Colombian drugs trade came to nothing. This appears to be borne out by the Government's continuing inability to meet its payroll.

On Thursday it made part payment to some public sector workers in commemorative coins minted at the time of the 1977 Panama Canal Treaties.

A new cycle in the twice monthly pay round opens today, when the pensioners are due to be paid again. With the banks still closed after 18 days and neither cash nor credit, people have reached the limit of their ingenuity to feed their families.

DIRECT talks between the Nicaraguan Government and representatives of the US-backed Contra rebels are expected to go ahead today as planned despite the sharp escalation in regional tension caused by a major Sandinista offensive. Page 22

EC joins support for Gatt to have stronger status

BY WILLIAM DULLFORCE IN KONSTANZ

THE EUROPEAN Community has come out in favour of strengthening the General Agreement on Tariffs and Trade (Gatt) and giving it a status equivalent to that enjoyed by the International Monetary Fund and the World Bank.

The world trade organisation needed more political weight effectively to handle current tensions in the trading system, Mr Willy de Clercq, the Commissioner for External Affairs, told an informal meeting of trade ministers in Konstanz over the weekend.

By joining the US and Japan, which had already voiced their backing for a more powerful Gatt, the EC has now made it almost certain that measures will be agreed when world trade ministers meet in Moutreal in December for the mid-term review of Gatt's current Uruguay Round.

Gatt will probably be empowered to undertake regular appraisals of countries' trade policies, testing them for compliance with Gatt rules and assessing the impact of any protectionist measures.

Trade ministers will meet more frequently under the Gatt aegis, possibly once a year, although not all of Gatt's 95 members want an annual encounter.

Co-operation between the Gatt, the IMF and the World Bank will be extended so that the trade factor receives more attention.

Mr Martin Bangemann, the West German Economy Minister, pointed out that trade provided on average 20 per cent of the Gross National Product of Gatt member states.

It was not enough to discuss the financial side alone when working for economic adjustment and growth. But for trade's role to be respected Gatt had to be politicised, Mr Bangemann said.

If Mr de Clercq has his way, Gatt will also create its own political constituency in the international trading community. He envisages private sector representatives attending Gatt annual ministerial meetings, in similar fashion to the congregation of bankers at IMF and World Bank annual meetings.

The Commissioner acknowledged that the Community had not yet taken a position on the particular form for greater ministerial involvement in the Gatt. Britain, for example, wants more time to consider the usefulness of an annual meeting.

However, Mr Bangemann stressed, the 30 ministers who met in Konstanz to discuss progress in the Uruguay round had agreed on the necessity of reinforcing Gatt.

This is one of three items on which a consensus is expected to have emerged by the mid-term review in December. The other two are the liberalising of trade in tropical products, ardently pursued by the developing countries, and a more effective dispute settlement system for Gatt.

Improvements to the system could include measures to prevent foot-dragging by an accused country, a shortened time schedule for the forming of a dispute panel, its report and acceptance of its findings by the Gatt council, Mr Bangemann said. A greater role might also be allocated to voluntary arbitration.

By far the liveliest discussion was over agricultural trade reform, the centrepiece of the Uruguay round. Some heat was generated by Mr de Clercq's vigorous defence against charges that the EC was being obstructive in calling only for short-term emergency action to reduce surplus stocks and control prices and refusing to commit itself to the abolition of export subsidies.

W German state election gives boost to Späth

By David Marsh in Bonn

CHANCELLOR HELMUT Kohl's Christian Democratic Union (CDU) yesterday maintained its absolute majority of seats in key elections in the West German state (Land) of Baden Württemberg, although with a sharply lower result than in the last state poll in 1984.

The score was a clear personal victory for Mr Lothar Späth, the Christian Democrats' Prime Minister in Baden Württemberg for 10 years, who now sees his position enhanced as a rival within the party to Mr Kohl.

With the liberal Free Democrats, junior partners in the Bonn coalition, as well as the Opposition Social Democrats (SPD), both registering losses, the three major parties all suffered their worst scores in the state for at least 20 years – confirming the trend towards fragmentation.

Disenchantment among conservative voters in the prosperous and traditionally Christian Democrat-voting southern state led to a sharp swing towards minority ultra-Right groups, while the Greens ecology party maintained its position.

Minority parties, none of which will sit in the four-party parliament, gained a combined 5.4 per cent of the votes, according to provisional results last night, against only 0.5 per cent four years ago.

Major beneficiaries were the neo-Nazi party with 2.1 per cent and the far right Republicans with 1.0 per cent.

Yesterday's outcome, following a string of four successive CDU setbacks in state elections, was welcomed last night by Mr Kohl as a "great result."

Mr Späth, who will now continue as the only CDU state premier to rule without the aid of a coalition, distanced himself during the election campaign from the Bonn government on economic and nuclear energy issues, particularly over the Government's 1990 tax reform plans.

The Christian Democrats gained 49.1 per cent of the votes, down from 51.9 per cent in the 1984 poll, marking its worst score in the state since 1968. Under the Baden-Württemberg voting system the outcome was enough to keep the CDU with an absolute majority in the state parliament, where it looks likely to have 66 seats against 68 last time. The SPD remains second strongest with 42 (41), with the Greens gaining a seat to 10 and the FDP losing one to seven.

New York court ruling blow to Campeau's takeover strategy

BY RODERICK ORAM IN NEW YORK

A NEW YORK court ruling has invalidated much of the $6.18bn of financing that Campeau, the Canadian real estate and retailing group, had lined up for its hotly-contested attempt to take over Federated Department Stores, a leading US retailer.

In a rare show of judicial approval for "poison pill" defences, Judge Leonard Sand, presiding in a federal court in Manhattan, ruled that Federated's shareholders' rights plan served a legitimate purpose and could be used to oppose Campeau's tender offer.

Much of Campeau's financing was conditional on removal of the poison pill because the defence would seriously dilute and devalue any Federated stake that Campeau bought. If the poison pill was triggered, Federated's existing shareholders would have the right to buy more stock at a considerable discount.

Campeau said only that it would appeal against the ruling, but analysts believe it would have to raise and restructure its offer to meet the court's objections. The ruling put a competing offer from R. H. Macy, the privately-held New York retailer, firmly in the lead. The poison pill does not apply to Macy's offer because it has Federated's approval.

Marks and Spencer, the UK stores group, has agreed with Campeau to buy its Brooks Brothers US menswear retail chain – a deal conditional on Campeau's bid for Federated succeeding.

Poison pills have been a common feature of US takeover defences in recent years, even though courts have often undermined their effectiveness by ruling that they were contrary to shareholders' interests.

Judge Sand said, however, that Federated's had served the legitimate purpose of protecting the company from coercive offers such as Campeau's, which heavily favoured shareholders who tendered their stock early.

Robert Campeau profile, Page 23

British bank plans US takeover

BY NICK BUNKER IN LONDON

THE ROYAL Bank of Scotland hopes to make a friendly takeover offer for Citizens Financial Group, a small New England bank, within six or seven weeks, the Edinburgh-based bank said yesterday. The move comes five years after it first decided to seek a US retail banking acquisition.

Citizens Financial is based in Providence, Rhode Island, and is likely to cost the Royal Bank at least $370m, the US company's current capitalisation on the American Nasdaq securities market. Bid speculation has recently lifted its share price from $17 to about $26.

Mr Charles Winter, the Royal Bank's group chief executive, said he had decided to confirm talks were taking place with the US group after news of the proposal began leaking out in Scotland last week.

He said the Royal Bank, which is about 15 per cent owned by the Kuwait Investment Office, first approached Citizens late last year. It was received "in a perfectly friendly fashion," he said. Talks between the two groups were still "at a very early stage", and no price had yet been agreed, but the Royal Bank was confident that the deal could be consummated, he added.

The plan is the latest in a long line of decisions by British-based banks to expand into the US, including Midland Bank's near-fatal purchase in the early 1980s of Crocker National Bank of San Francisco.

Attempting yesterday to forestall any adverse City of London comment on the proposal, Mr Winter pointed out that Citizens had no debts from less developed countries and no portfolio of loans to the energy industry.

The Royal Bank's main US presence at the moment is a branch in New York. It first decided in principle to seek a US acquisition in 1983, as a solution to problems of relatively slow growth in the UK and over-exposure to sterling. In its 1987

Continued on Page 22

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CONTENTS

OVERSEAS NEWS

Mitterrand set to announce his candidacy

BY PAUL BETTS IN PARIS

THE FRENCH presidential election will gather full steam this week when President François Mitterrand finally announces his long-awaited decision to run for a second seven-year term.

Mr Mitterrand confirmed he would announce his decision this week in a video-recorded message to a rally of 15,000 Socialist sympathisers at Le Bourget, outside Paris, yesterday.

Although he did not specifically say whether he would seek a second mandate, Mr Lionel Jospin, the Socialist secretary general, and several other Socialist leaders made it clear that Mr Mitterrand, who remains the hot favourite to win the election in the latest opinion polls, was expected to run again.

The betting is that Mr Mitterrand will announce his formal decision to seek another mandate on Wednesday. In his message, Mr Mitterrand said he was anxious to see his country unite together "to win the challenges" facing France this century.

The formal entry of Mr Mitterrand into the election campaign as the Socialist candidate will mark a new phase in the contest dominated so far by the battle between the two right-wing candidates, Mr Jacques Chirac, the Gaullist RPR Prime Minister, and Mr Raymond Barre, the former centrist prime minister, for the primary on the right.

Mr Chirac has now extended his lead over Mr Barre, with the latest opinion polls giving him about three points more.

Mr Chirac was yesterday the star of a huge US-style rally at Vincennes on the other side of Paris attended by more than 50,000 RPR supporters as well as several Gaullist ministers and Mr Johnny Hallyday, the popular French rock singer who used to back the Communists. Mr Edouard Balladur, the Finance Minister and one of Mr Chirac's key political strategists, also succeeded in unsettling the Barrist camp last week by floating the idea of forming one big conservative party in France.

François Mitterrand: suspense to the end

But even before formally declaring himself as the Socialist candidate, Mr Mitterrand has stolen the show so far in the campaign. His tactics of maintaining the suspense about his electoral ambitions to the very end have infuriated his right-wing opponents while keeping him in the lead in the opinion polls. A Libération-Ifop poll at the weekend showed Mr Mitterrand winning 39.5 per cent of the votes in the first round of the election against 23.5 per cent for Mr Chirac and 21 per cent for Mr Barre. In the second round, Mr Mitterrand would lead Mr Chirac by 55.5 per cent to 44.5 per cent and Mr Barre by 54 per cent to 46 per cent.

The question now is whether Mr Mitterrand will be able to maintain his lead once he enters formally the presidential contest.

Opposition boycotts new Dhaka parliament

THE FOURTH parliament in Bangladesh's 17-year history was sworn in yesterday, but one bloc of members failed to appear, AP reports from Dhaka.

The parliament – its legitimacy already questioned because of evidence of a rigged election – is expected to be given controversial legislation to make the country of 105m people an Islamic state.

The 18 members of the Combined Opposition Party were not at the oath of office ceremony, but there was no explanation for their absence.

Despite its name, the so-called opposition bloc consists of 78 small parties which are loyal to the government of President Hussain Muhammad Ershad.

The Parliament was chosen March 3 in an election where there was evidence of vote-tampering. Mr Ershad's Jatiya Party won 251 of the 300 seats.

The president told a religious gathering March 13 that he would offer legislation to amend the constitution to make Bangladesh an Islamic state.

But the opposition parties already have announced they will oppose the move.

Even Mr Jamaat-e-Islami Abbas Ali Khan, the leader of the fundamentalist Moslem party, denounced the proposal.

"This is a political gimmick by Ershad to perpetuate his rule," he said.

It has been suggested that Mr Ershad's call for an Islamic state is aimed at weakening his two chief opponents – both women – Ms Sheik Hasina of the Awami League and Ms Khaleda Zia of the Bangladesh Nationalist Party.

Paris, Bonn differ on EMS change

BY DAVID MARSH IN BONN

DIVERGING VIEWS between France and West Germany over the need for changes in the European Monetary System, are likely to come to the surface in Bonn today, at the first full meeting of the newly established Franco-German Finance Council.

The Paris Government may use the meeting, linking Finance and Economy Ministers and central bank governors from the two countries, to press for further adjustments in the rules on intervention and credit facilities in the EMS.

The gathering, hosted by the Bonn Finance Ministry, is billed as an exchange of views and will not lead to any firm decisions. The body, which will meet every three months in future, will try to come up with ways of better harmonising French and West German fiscal and monetary policies.

The ministers and central bank governors may also seek to prepare a common position ahead of the meeting of the IMF's interim committee in Washington next month.

The most contentious issue, however, is expected to be the EMS. France, backed by the other six full EMS countries, except West Germany and the Netherlands, wants to increase the obligation on strong currency members to expand their economies to counter any exchange rate strains in the system.

Mr Gerhard Stoltenberg, the West German Finance Minister, last week spelled out in a memorandum his strong misgivings about alterations in the EMS rules. He called for EC countries to lift all exchange controls as a precondition for any eventual moves towards European monetary union.

The memorandum reflected closely the views of the West German Bundesbank, which has already voiced scepticism about the Franco-German Council.

The central bank's governing council has nominated its president, Mr Karl Otto Poehl, as a member of the bilateral body only under the condition that no decisions are taken which breach its monetary independence.

David Marsh sees a challenge to Britain in the new Finance Council

Delicate problem for EC partners

WHEN the West German and French Finance Ministers and central bank governors sit down to dinner in Bonn tonight after the first session of the two countries' bilateral Finance Council, German officials admit to a sneaking worry that the food and surroundings may not be as good as in Paris.

That is not the only delicate psychological problem hanging over the first meeting of the group, which was established in January along with a bilateral Defence Council to intensify already close Franco-German political ties.

The Finance Council, which will assemble every three months, seems likely to be used by the French as a forum from which to persuade the West Germans to take more a more expansionary economic policy line.

That objective has already aroused strong misgivings in the Germans. On one of the key issues - French proposals for further development of the European Monetary System (EMS), Europe's nine-year-old exchange rate stabilisation scheme - there is plenty of room for disagreement between the two sides.

At the same time, however, efforts to promote further Franco-German policy alignment, in both the economic and the military and security fields, add up to a powerful challenge to the rest of Europe - and particularly to Britain.

Britain's refusal to join the exchange rate mechanism (ERM) of the EMS, together with the criticism by Mrs Margaret Thatcher, the Prime Minister, of the Franco-German Defence Council, are seen in both Bonn and Paris as pushing the French and Germans ever more closely into alliance.

Commenting on Britain's uncompromising non-membership of the ERM, underlined by the recent move to let the pound move well above its previous DM3 ceiling, a senior official in the Elysée Palace in Paris said last week: "If Britain has a negative position, the only way to advance is for the French and Germans to show resolve."

A very senior member of the Bundesbank is highly sceptical about French proposals for a further softening of the credit and intervention mechanism of the EMS, billed in Paris as essential steps towards eventual European monetary union.

But he says Britain's rejection of full EMS participation, together with the softer exchange rate regime enjoyed by Italy and non-membership by the new EC members, are inevitably changing the shape of the EMS away from a Europe-wide system.

There is a possibility that the EMS will change character - and will become just a vehicle towards French and German [monetary] union," he says.

Mrs Thatcher, who is widely seen on the Continent as the chief impediment to a more "European" policy line by the British Government, is certainly not the only critic of the new Franco-German bilateralism.

Mr Jacques Delors, the president of the European Commission and a former French Finance Minister, believes creation of the Franco-German Finance Council may turn out to be a mistake. This is because it might increase West German resistance to be railroaded into more expansionary policies - proving as a result ultimately counter-productive.

For different reasons, one well-respected ambassador in Bonn from one of West Germany's neighbours says he is "very critical" of Bonn's tendency to turn to the French on the grounds that policy making in the enlarged EC has become more difficult.

"We have all the institutions in the EC to cope with economic policies . . . It is absolute nonsense to say we can't come to policy coordination because of the Irish or thethe Greeks," he says. "Why don't they [the Germans] see that we could do all this by playing a more constructive rola in the multilateral forums we have built up?"

In spite of these other noises of discontent, it is Mrs Thatcher's well-publicised scepticism about Franco-German alignment which has attracted particular criticism - most of it in private - from Bonn.

Her remarks after the Nato summit this month, where she called on West Germany to back fully western nuclear deterrence to defend its front-line position stemming from Hitler's days, has been criticised in Bonn as insensitive.

Mr Volker Ruehe, a spokesman on foreign affairs for Chancellor Helmut Kohl's Christian Democratic Union (CDU), says: "Mrs Thatcher has to understand the psychology of Europe - not just southern England."

Afghanistan elections called for next month

President Najibullah has called national elections next month in Afghanistan as the UN-mediated talks to end the nine-year-old guerrilla war there remain deadlocked, Reuter reports from Islamabad.

The elections for a two-chamber parliament will be held from April 6 to 15, Kabul Radio said.

But one of the Western-backed Moslem guerrilla groups battling to oust Soviet troops in Afghanistan denounced the plan as a gimmick to deceive the world.

The radio, monitored in Islamabad, said Afghanistan's third parliamentary elections would be for 229 seats to the Council of Representatives (lower house) and 62 seats in the Council of Elders (upper house).

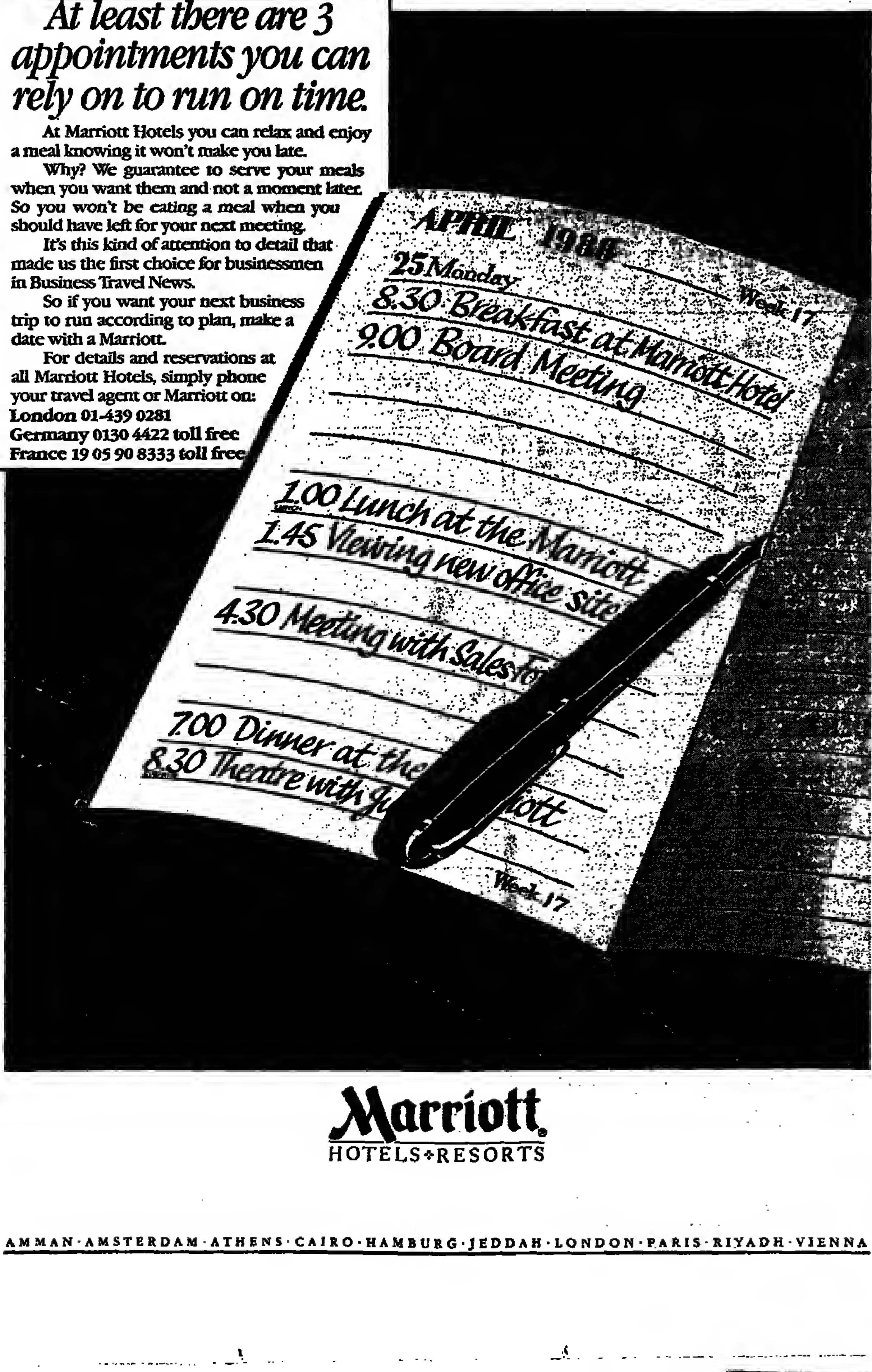
It quoted a decree issued by President Najibullah as saying an unspecified number of seats would be kept vacant for the rebels if they failed to contest now.

"It is another trick to deceive the (Afghan) people and the world opinion," the Hezb-i-Islami (Hekmatyar) party spokesman Shah Mahmud Muzaffar said.

"They are not a legitimate government, they don't have the right," the spokesman, whose party is one of seven groups in the main Pakistan-based guerrilla alliance, stressed.

Hezb-i-Islami's leader, Mr Gulbuddin Hekmatyar, who is also the current chairman of the alliance, threatened rebel attacks on military installations in the capital.

The elections were called as the UN-sponsored peace talks in Geneva remain stalled on questions of Soviet military supplies to Kabul and who will govern Afghanistan after an estimated 115,000 Soviet troops leave the country.



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KANSAS PRIMARY

Dukakis edges further ahead

BY ANATOLE KALETSKY IN WASHINGTON

GOVERNOR MICHAEL Dukakis edged further ahead over the weekend in the race for the Democratic presidential nomination, scoring a narrow victory over the Rev Jesse Jackson and Senator Albert Gore in the party caucuses in Kansas.

Mr Dukakis and Rev Jackson were also emerging as clear front-runners in the much bigger Michigan caucuses to be held next weekend.

While Kansas with only 43 delegates will account for fewer than 1 per cent of the votes to be cast at the Democratic National Convention, Mr Dukakis' victory was a significant one because it showed his ability to command support in agricultural as well as industrial states.

"It's terrific. It is the first farm and agricultural state I have won and won decisively," Mr Dukakis said on Saturday night. The results were also very positive for Rev Jackson, who came a close second.

Mr Dukakis garnered 36 per cent of the local delegates, against Rev Jackson's 31 per cent and Mr Gore's 19 per cent. Mr Richard Gephardt and Senator Paul Simon both received negligible support and about 15 per cent of the delegates elected remained uncommitted.

Even as the Kansas votes were being counted, the Democratic contenders moved on to Michigan - a key industrial state which will select more than 3 per cent of the national convention delegates and could prove decisive by eliminating one or more candidates from the race.

Dukakis: "It's terrific."

Mr Gephardt, whose protectionist policies are likely to have their strongest appeal among Michigan's huge motor industry work force, desperately needs a win in this state. However, opinion polls published in the Detroit News over the weekend showed Mr Gephardt, with 10 per cent support, floundering well behind Mr Dukakis and Rev Jackson, who polled 33 per cent and 31 per cent respectively.

If this pattern is borne out by Michigan's voters next weekend, Mr Gephardt's candidacy would almost certainly be killed. Senators Gore and Simon would also become vulnerable if their support in Michigan proved to be negligible, as the polls have predicted. Each would then have only one chance left to restore his candidacy before the all-important New York primary on April 19.

Senator Gore would have to prove that he could win votes in the north by putting in a strong showing in Connecticut on March 29. Senator Simon would have to win in Wisconsin, a state which borders his native Illinois, to preserve any credibility.

In an indication that the Democrats themselves may feel that the race is drawing to a climax, the candidates in Michigan have noticeably restrained their earlier attacks on each other and have concentrated instead on criticising the Republicans and President Reagan.

Meanwhile, Governor Mario Cuomo, of New York, an extremely powerful Democratic politician who has now unequivocally denied any presidential ambitions, indicated that he may soon be ready to assume the role of kingmaker.

The field might well have narrowed sufficiently within the next "seven to ten days" for him to make a personal endorsement of one of the candidates.

UK to fight lonely battle on pollution

By Our Correspondent in Brussels

BRITAIN will be fighting a lonely battle today against most of the European Community in what is likely to be failed attempt by member states to agree on a series of moves to combat water and air pollution.

Lord Caithness, the UK's new Environment Minister, is expected to come under severe pressure, at his first meeting in Brussels with his EC counterparts, from Mr Klaus Topfer, the West German Minister chairing the session.

Britain is either the only member state or one of a small minority to be blocking almost every point on an agenda which is of supreme importance to an environmentally conscious Bonn Government.

It includes proposals for reductions in sulphur dioxide from power stations, a widely held cause of acid rain, which the UK argues are unrealistically stringent.

A separate scheme for halving exhaust emissions from small cars is also being blocked by the UK, in a minority with France, Italy and Spain.

They want laxer rules on the grounds that the present proposals would add too much vehicle prices, around 500 to cars with engines of up to 1.4 litres and that cheaper methods of cutting exhaust gas are on the way.

Young seeks EC approval of Rover takeover plan

BY WILLIAM DAWKINS IN BRUSSELS

LORD YOUNG, the British Industry Secretary, is to meet Mr Peter Sutherland, the European Commissioner responsible for competition policy, to seek agreement on the conditions for British Aerospace's planned takeover of Rover, the state owned car group.

The British Government is planning to write off large amounts of Rover's accumulated losses and trade debts to make the deal acceptable to British Aerospace, but this cannot go ahead under EC competition law without the go ahead from the Brussels authorities.

It is understood that the meeting, due to take place on Wednesday, is an initial negotiation at which the two sides will explore each others' thinking on the deal, rather than tackling the exact size of any debt write-off.

EC officials yesterday refused to comment on how much is involved, saying that was still under negotiation between the UK Government and the companies. Lord Young announced that he would need to negotiate with Mr Sutherland when the deal was first announced and the DTI officially notified the Commission last week that some form of state aid would be involved.

The meeting will be extremely sensitive because the Commission in theory has the power to block the deal if the planned write-off gives Rover an unfair advantage over its European competitors - and Brussels has in the past year taken an increasingly close interest in aid to Renault, Alfa Romeo and Leyland Trucks. While a total block is extremely unlikely, the Commission has several times in the recent past forced beneficiaries of state aid to repay their subsidies - and that might provoke British Aerospace to drop the offer.

"If you write off Rover's debt, under Community law that amounts to a subsidy. You can't have that without the green light from the Commission," said an EC official. "The car industry is of particular interest to us. Everyone has difficulties, and there is a lot of overcapacity. If one car maker gets a lot of money and that distorts the market, we can't accept that," he said.

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OVERSEAS NEWS

Islamic conference faces conflict-laden agenda

CONFLICTS SHAKING the Moslem world from its Middle Eastern core to the distant Philippines look set to dominate an Islamic conference that opens in Amman today, Reuter reports from Amman.

The Palestinian uprising in Israeli-occupied lands, the Gulf war, Afghanistan and the grievances of Moslems in Bulgaria and the Philippines hang over the five-day meeting of the 46-member Islamic Conference Organisation (ICO).

ICO foreign ministers will unite in condemning Israel for its handling of three months of protests, in which about 100 Palestinians have died, and will pledge money for the uprising, Arab diplomats said.

They said the ICO would also endorse the idea of an international UN-sponsored conference to supervise an Israeli withdrawal from the occupied West Bank and Gaza strip.

The Iran-Iraq war, in which the combatants – both ICO members – have rained missiles on each other's capitals for the past three weeks, may once again prove an intractable issue.

Iran, which boycotted last year's ICO summit in Knwait, has sent a delegation headed by Sheikh Mohammad Ali al-Tashkiri, an official at the Islamic Guidance [Information] Ministry.

Mr Tashkiri said on Saturday that any ICO resolution should condemn Iraq as the aggressor in its 7½-year-old war with Iran. An Iraqi delegate said Iran was still refusing peace.

The ICO may revive a mediation committee which has tried several times to make peace between Tehran and Baghdad.

Conference sources said the Iranian and Iraqi delegations clashed at a preparatory session on Saturday, when Iraq proposed that the ICO discuss reports of emigration by Iranian Jews to Israel via Pakistan.

Arab diplomats said Iran would also resist any move by Saudi Arabia to secure a resolution condemning last July's violence involving Iranian pilgrims in the Moslem holy city of Mecca.

Host country Jordan appeared to be concentrating on reaching an accord over Afghanistan, political and diplomatic sources said.

They said King Hussein was trying to persuade Pakistan to ease its demand for a transitional goverment to be set up in Kabul before Soviet troops begin their promised withdrawal.

Crown Prince Hassan visited Pakistan earlier this month in what the sources said was an unsuccessful bid to persuade leaders in Islamabad to modify their position, which has helped to delay agreement at UN-sponsored peace talks in Geneva.

The sources said Jordan would sponsor an ICO resolution welcoming Moscow's pledge to pull its troops out of Afghanistan. A withdrawal would fulfill a long-standing demand of the organisation.

Afghanistan's ICO seat will be empty. Its membership was suspended after Soviet troops intervened in Kabul in 1979.

Moslem minorities in Bulgaria and the Philippines will try to use the ICO conference as a platform to press their demands.

A political source said Bulgarian vice-president Petar Tanchev argued his country's case during a visit to Jordan last month, drawing a private protest from the Turkish Embassy.

The Philippines Government has also mounted a diplomatic campaign to prevent Moslem rebels seeking antonomy in southern islands of the Philippines from winning full ICO membership.

The Moro National Liberation Front says it has collected 1m signatures to back its application to join the pan-Islamic group, where it has had observer status since 1974.

First Israeli killed in Palestinian protests

By Andrew Whitley in Bethlehem, occupied West Bank

SERGEANT Moshe Katz yesterday became the first Israeli to die in the Palestinian uprising. The 28-year-old reservist was on guard duty in Bethlehem when he was shot in the head by a pistol-carrying gunman, who succeeded in escaping a wide dragnet thrown over the area.

Over a hundred Palestinians have been killed over the past 15 weeks, either by soldiers or by Israeli settlers. But until yesterday no Israeli had been seriously hurt by demonstrators, who have preferred to rely largely on stones, slingshots and other primitive weapons.

The death marks a milestone in a conflict showing all the signs of settling down into a long drawn-out struggle. Inevitably, it will also strengthen the hand of the large number of Israelis who argue that the army has adopted too lenient an approach to suppressing the unrest.

Mr Yitzhak Rabin, the Defence Minister, accompanied by Lieutenant-General Shomron, the army's Chief of Staff, visited the spot in central Bethlehem - outside the local office of the Israeli Interior Ministry, much disliked by Palestinians - where Sergeant Katz bled to death.

Firearms and explosives have been used several times against Israeli targets over the past fortnight. But Gen Shomron played down suggestions that the conflict had now entered a new phase. Instead he attributed the appearance of firearms to frustration resulting from what he claimed had been the army's success in controlling the large demonstrations.

In an attempt to break the suspected leadership of the uprising, several hundred Palestinian activists are believed to have been rounded up over the past three nights from villages and towns in the West Bank. With existing detention facilities already overcrowded, some are reported to be held at an army camp north of Jerusalem, while hundreds of other detainees are being transferred to a hastily constructed new prison in the Negev desert.

PLO fights UN mission closure

BY OUR UNITED NATIONS CORRESPONDENT

LAWYERS may ask a federal judge in New York today to stay the execution of e US government order to close the Palestine Liberation Organisation's United Nations mission by midnight tonight.

Mr Clovis Maksoud, the UN Representative of the Arab League, which is fighting the order, said legal action should gain a three-week breathing space while the court considered whether it could claim jurisdiction.

If so, the next step could be a bid for an injunction in e case that some are already predicting may wind up in the US Supreme Court.

Whatever the ontcome, the decision to shnt down the PLO mission under the Anti-Terrorism Act adopted by Congress last year has added a new chill to already cool relations between the UN and its host country.

The UN Secretary-General, Mr Javier Perez de Cuellar, told the Americans bluntly that the order was a clear violation of the 1947 agreement that established the UN in New York.

Aquino dismisses re-election suggestions

Philippine President Corazon Aquino yesterday dismissed suggestions she might seek re-election in 1992 even if there were a strong clamour for her to run again, Reuter reports from Manila.

"I really have no political ambitions . . . one term is all it would be," Mrs Aquino said in a taped radio phone-in programme scheduled for broadcast late last night.

Mrs Aquino ran against Mr Ferdinand Marcos, then president, in e January 1986 snap election only after supporters gathered 1m signatures from ordinary Filipinos urging her to run. Mr Marcos was overthrown two weeks later in a popular revolt sparked by poll frauds.

She rejected the idea of another popular draft for her, saying: "Those times [1986] were different."

She said she ran in 1986 only because Mr Marcos' rule had to be ended and added she was only good as a transition president while the country moved from dictatorship to democracy.

Alexander Nicoll meets Mexico's director of public credit

Man who captures market discount

MR ANGEL GURRIA, Mexico's director of public credit, is much in demand at the annual meeting of the Inter-American Development Bank.

Despite the initial let-down of the result of the country's innovative bonds-for-loans offer last month, his assessment of it is eagerly sought by officials from other debtor countries which want to cut their debt burdens.

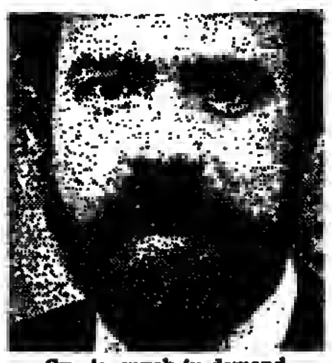
"People have been telling us that it was important," says Mr Gurria. An energetic man who has had a pivotal role in handling Mexico's debt problems since they started, he remains enthusiastic about the deal.

"The more time passes and the more I think about it, I'm getting more and more satisfied," he says.

Indeed, he stresses that Mexico is "actively exploring ways in which we can continue to capture the market discount." It was using the experience of the first offer in considering other suggestions from banks.

This is despite his lingering disappointment at the amounts of debt tendered in response to the offer. Out of tenders of $6.7bn (£3.7bn) submitted by 139 of Mexico's more than 500 creditor banks, only $3.67bn from 95 banks were accepted with $2.56bn of bonds issued in exchange.

Mr Gurria had expected to be able to issue double that amount. Ha had also expected that accepted tenders would have put an average discount of 37-40 per cent on the old debt, instead of just over 30 per cent. If Mexico had not set the cut-off discount as low as 25.01 per cent, it would have issued only a small amount of bonds.



Gurria: much in demand

The source of his satisfaction, however, is that the exchange was "an extremely efficient tool from the point of view of our use of foreign exchange."

Mexico spent $532m of its reserves on buying $2.56bn of zero conpon US Government bonds to serve as collateral for its issue. It retired a net $1.1bn of debt.

This works out, Mr Gurria says, to buying back that debt at 41.49 cents on the dollar - well below the 48 cents price in the thin secondary market.

Mexico will consider re-opening its debt/equity swap programme, suspended last November, when it has seen a sustained fall in inflation, Mr Angel Gurria, the country's director of public credit, said, Alexander Nicoll writes.

Inflation has dipped from a monthly rate of over 15 per cent in January, to an estimated 4 per cent in March.

The conversion scheme may be reviewed in April.

The calculation takes into account the "defeasance" effect of the $532m on repaying the bonds, and the higher interest rate payable on the bonds.

As well as the reduction of debt and consequent savings, there were lessons learned. Chief among them were the thorny regulatory and tax issues raised for banks. Some banks, Mr Gurria says, were telepboning Morgan Guaranty "day and night," with questions about tax. The US bank was Mexico's agent.

Without a trace of militancy or defiance, Mr Gurria says Mexico must ask banks directly why they did or did not bid, in order to learn from them.

The results do show thet the offer did not appeal to any particular type of bank - for example, to smaller banks wanting e one-time "exit" from future Mexican loans.

Bids came from all nationalities and sizes of banks, he says, with no particular pattern. Some $1.1bn came from Jepanese banks, of which over 85 per cent were accepted, but the showing of US regional banks was quite small.

Mr Gurria confesses to "total schizophrenia" in response to one type of question he encountered, especially from British and Canadian banks.

Bankers looked at Mexico's economic performance and saw $15bn of reserves, flows of capital back into the country, rising non-oil exports, falling inflation, and other signs of progress.

Why, they asked, should they take a large loss on their Mexican exposure, when it seemed thet Mexico had far better prospects for debt-repayment than most other problem borrowers? Should they not stick by the creditworthiness of Mexico and refrain from tendering?

This was a difficult argument for a proud Mexican official to counter. The answer, Mr Gurria says, was that the debt burden still needed to be reduced. Interest payments representing 5-6 per cent of gross domestic product stunted the country's growth.

The discount in the secondary market might not be realistic, but, while it was there, Mexico needed to make use of it.

IMF endorses Argentina austerity programme

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE BOARD of the International Monetary Fund has endorsed an economic austerity programme for Argentina, thereby releasing almost $1.1bn in loans for the country.

The programme, which aims to bring down inflation to 4 per cent by the year end and to reduce the current account deficit to $3.1bn in 1988 from $4.3bn in 1987, was agreed between officials of ther IMF and Argentina last month.

The IMF itself will provide $543.8m of the funds, $225.6m of which was the third tranche of a $1.4bn standby loan agreed last year bnt delayed for three months because of the country's failure to meet the terms of an earlier IMF programme.

The rest is being provided to offset a shortfall in Argentina's revenues from cereals and oilseeds exports in 1987 because of heavy rains and flooding.

The IMF move also releases $550m in funds from commercial banks, which will be available for drawdown on Friday. These funds are part of a $1.95bn financing pledged last year by the banks, of which two tranches totalling $1.25bn were drawn last year.

Part of the new money will be used to repay a $550m bridging loan granted by the US last month to help the country stave off a foreign exchange crisis.

Argentina has been building up arrears on interest payments to commercial banks since the beginning of the year and is expected to need substantial extra foreign finance before the year is out.

Voest-Alpine Iran arms sales charges to go ahead

BY JUDY DEMPSEY IN VIENNA

MR EGMONT FOREGGER, the Austrian Justice Minister, gave the go-ahead et the weekend to court proceedings against the management of Voest-Alpine, the state-run steel and engineering group which, contrary to Austrian law, allegedly sold arms to Iran in 1984 and 1985.

The decision to press ahead with the court proceedings was made after the state prosecutor in Linz, where Voest-Alpine is based, ended official investigations into allegations that Noricum, the arms and weapons divisions of Voest-Alpine had sold up to Sch 4bn (£194m) in arms via Libya to Iran.

Voest-Alpine, which has made huge losses over the past few years, set np its own internal inquiry last September. Mr Herbert Lewinsky, group chairman, said the inquiries had "hardened the suspicion" that the allegations were well-founded.

Apart from the senior management, the case could throw light on whether the Minister of the Interior gave the permission to export the weapons.

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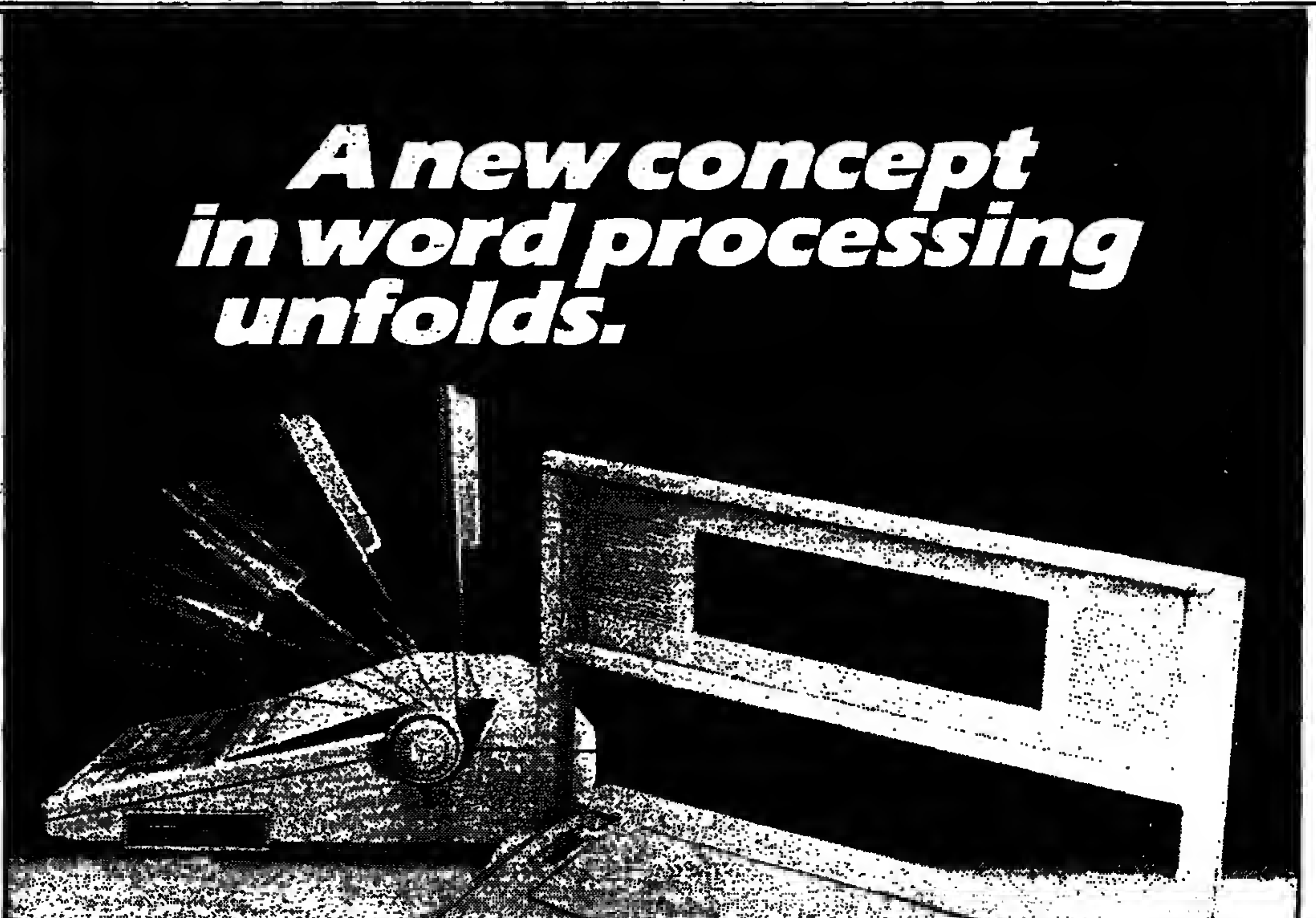


Last chance for UK to join space-station

BY PETER MARSH

BRITAIN has been given a last-gasp chance to join a $20bn international space station, agreement on which was reached last week by the US and Western Europe.

Professor Reimar Luest, director general of the 13-nation European space agency said at the weekend that "Europe would be the loser" if the UK held out in *its refusal to join the scheme. He* has given Britain until mid April to make up its mind finally over participation.

The UK is the only major country within ESA to have so far refused to participate in the agency's $4bn Columbus project to design a laboratory for the orbiting base.

Professor Luest said that at a meeting he had last month with Mr Kenneth Clarke, the UK trade and industry minister, who has been highly critical of ESA projects, the UK minister had indicated ha had still not finally decided on the Columbus issue.

Mr Loest said he still hoped for a favourable UK decision on Columbus. The country not only had valoabla technical expertise to offer Columbus but was a source of new and stimulating ideas regarding greater private sector involvement in space schemes, said Mr Luest.

The Columbus laboratory, containing equipment for materials processing studies and observation of the earth, is due to plug into the main US-designed core of the space station, which is due to be in place by the mid-1990s and house eight people. Canada and Japan also plan to help in the development of the base.

UK aerospace companies can be expected to seize on Mr Luest's comments and mount an intense lobbying campaign over the next few weeks to persuade Mr Clarke of the benefits of UK involvement in Columbus.

British companies such as Logica, British Aerospace and GEC had been on course, prior to Mr Clarke's earlier refusal to join Columbus, to win contracts worth several hundred million pounds over the next decade on projects associated with the programme.

The main UK area of participation had been expected to be in the design and construction of a free-flying platform, part of Columbus, for taking high definition pictures of the earth for commercial use.

Clarke: tough decision

Moscow space shuttle to be launched soon

By Leslie Colitt in Moscow

THE LAUNCHING of the Soviet Union's first space shuttle is to take place shortly, according to a leading Soviet space official.

Mr Alexander Dunayev, head of Glavkosmos, the commercial arm of the Soviet space programme, said "intensive preparation" for the flight was now under way. "Little time remained" before the launching would be shown on television, the Soviet News Agency TASS quoted him as saying.

The Soviet space official pointed out that Moscow's reusable space ship was not a replica of the US space shuttle, which has been grounded since a serious accident. Unlike the *US space vehicle, which has no* engines and glides to earth, the Soviet version is thought to have rocket engines.

In a jibe at the ill-starred US space programme, Mr Dunayev said the Soviet Union gave priority to crew safety. The first flight of a new Soviet space craft, he noted, was always "automatically controlled" (unmanned), which he said was a basic difference between the Soviet and US programmes. The US is not expected to launch a new space shuttle until June, which may have given additional impetus to getting the Soviet shuttle launched.

Deal allows military experiments

THE US WILL have virtually unconstrained powers to mount military-related experiments on board a $20bn international space station planned for the 1990s - as long as they do not involve testing of space weapons, writes Peter Marsh.

This is one of the main points of an 11-page agreement on the space station concluded last week by Western Europe and the US after three years of sometimes tortuous negotiations.

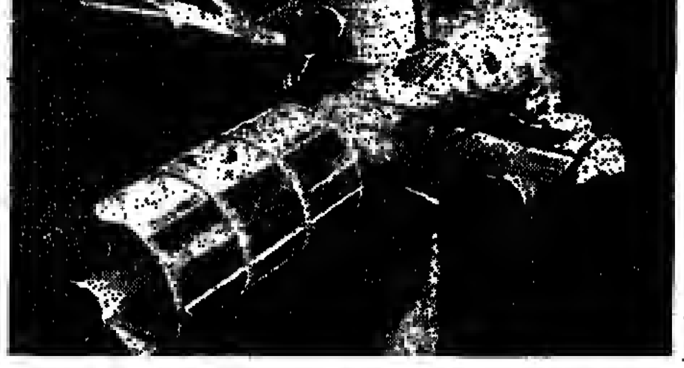
Canada and Japan, which also *plan to join the space station* project, are expected to reach similar accords in the next few weeks.

The document binds the US and the 13 nations of the European Space Agency to a set of procedures governing the use of the orbiting base after its construction in the mid-1990s.

The station, with accommodation for eight astronauts, will be used for a variety of space-based studies, including low-gravity crystals processing and biology experiments. It will also act as a garage in space for servicing satellites.

Under plans for the station, the US, Japan and Western Europe will each provide one laboratory, while the US will also be responsible for the accommodation module for the crew together with computers, energy systems and other equipment for running the base.

Canada's share of the project will be to provide robotic maintenance equipment.



The model of the European space station Columbus

According to the agreement, the US will be responsible for "overall programme co-ordination and direction" of the space station.

The other countries, however, will have the important power to dictate day-to-day activities in the parts of the station which they will provide.

This part of the agreement would enable European countries, Japan or Canada to veto military-related US experiments in their own segments of the station, but would not interfere with the US's ability to mount such studies in its part of the base.

The issue of the degree to which the space station might be used for military experiments, possibly involving tests of lasers or base-tracking hardware connected with the US Strategic Defence Initiative, has caused serious divisions during the three-year negotiations.

The final document deliberately does not seek to circumscribe the US's ability to conduct such experiments - a condition which was insisted upon by the US defence department.

The accord also leaves open the definition of what constitutes a military experiment. Beyond saying the station will be predominantly "civil" and be for "peaceful purposes in accordance with international law", the document is deliberately vague on the entire issue of military work.

The wording can be interpreted to mean that the base could be used for tests of equipments related to prototype space weapons such as lasers - but that no fully developed weapon could be carried on board.

The station, according to the agreement, will be run by a series of committees of the nations using the base in which "decision making by consensus shall be the goal." However, if consensus cannot be reached, the US will generally have the last word.

The agreement also enshrines the right of Japan and Western Europe to use their own launch vehicles to carry people and goods to and from the base, although the US's space shuttle fleet will be the main transport system.

Other parts of the document relate to how the international partners will share out the operating costs for the base, which are estimated at about $1.5bn a year, and also other issues such as protection of intellectual property rights of companies or individuals which make technological breakthrough to experiments on the station.

The document also contains a few paragraphs of interest mainly to jurists. In the section related to legal issues, the agreement gives the US the power to prosecute through US courts foreign nationals who commit misdemeanors on the station, although such courses of action would normally require the prior approval of the foreign governments.

Missile war in Gulf goes on

IRAN and Iraq fired missiles into each other's capitals and bombarded population centers with artillery for the seventh straight day, resulting in civilian casualties, AP reports from Nicosia.

Waves of Iraqi fighter-bombers pounded Iran's biggest oil terminal on Saturday, leaving at least two tankers ablaze in the northern gulf. Iran said it shot down three Iraqi warplanes.

The Iraqi military, announcing that two long-range missiles were fired into Tehran, declared: "We will make the Iranians live in hell until they accept peace."

The attack on the Kharg Island oil terminal, through which 90 percent of Iran's oil exports flow, was the first in six weeks and came during one of the heaviest Iraqi air offensives against Iran in several months.

The official Iraqi News Agency, monitored in Nicosia, said Iraqi warplanes and helicopter gunships flew 270 combat missions on Saturday, including attacks on Iranian cities.

28 killed in Rangoon

UP TO 28 people have been killed in Rangoon in the past week in the worst riots in Burma since 1974, according to persistent reports reaching Bangkok.

Mobs burned motor-vehicles and wrecked a government-owned department store in central Rangoon yesterday evening in what was officially described as an act of gangsterism, but is generally believed to be a demonstration of anger over the death of a student in clashes with local youths last Saturday, Chit Tun writes from Rangoon.

Indonesian cabinet

INDONESIA'a new Cabinet which President Suharto will announce today is expected to provide new avidence of the extent of the rift between the military and the increasingly assertive civilian sector, John Murray Brown writes from Jakarta.

President Suharto said this month that the military's role in both defence and politics is "definitely not meant to assign large numbers of armed forces personnel to civilian duties."

Sri Lanka ban plea

Seven Sri Lankan opposition parties, led by former Prime Minister Mrs Bandaranaike'a SLFP, have urged President Jayawardene to remove unconditionally the ban on the ultranationalist JVP, which has been recently responsible for a spate of assassinations, writes Mervyn de Silva in Colombo.

The opposition also demands an end to what it calls "extra-judicial killing and arbitrary arrests".

Zhao appeals for more open government

BY ROBERT THOMSON IN PEKING

CHINA must develop a more open and accountable government, and should be prepared to offer further incentives to attract foreign investment, the Communist Party general-secretary, Zhao Ziyang, said in his most significant speech since taking office last year.

Mr Zhao outlined plans for a new system of local consultation groups which would give ordinary Chinese more influence in policy-making, and dismissed conservative communists' fears about the overheated economy by suggesting that China had a "rare opportunity" for continued high growth.

The address to a meeting of the party's central committee, which ended a plenary session on Saturday, had the flavour of a campaign speech by a western politician. The party boss spoke of the need for a "clean" government that "speaks the truth" and he embraced the cause of "checks and balances", which have rarely bothered the all-powerful party since the revolution in 1949.

However, the forthright speech leaves Mr Zhao open to criticism should the economy turn sour, and the emphasis on populist themes partly reflects the leadership's fears that ordinary Chinese have become disillusioned with reform.

And Mr Zhao has pre-empted a state-of-the-nation address to be delivered in coming days by the acting Premier, Li Peng, who is known to have tackled similar themes, but more cautiously. Mr Zhao and Mr Li have already shown signs of differing on policy emphasis, and their relationship will be a key determinant of China's future.

The general secretary said the introduction of local consultation groups would give ordinary Chinese more control over the development of transport, housing, welfare and environment policy: "We must speak the truth to the whole people about major incidents concerning social stability, explain policies and enlist people's support and co-operation through extensive dialogues."

On the economy, the tone of the speech reflected Mr Zhao's belief that China is on the verge of entering a developmental cycle similar to that of Asia's newly industrialised countries, a cycle characterised by consistent double-digit growth.

He said that foreign companies must be tapped for their technology and expertise, and that the country's foreign trada system should be "reformed boldly" to "keep abreast of the sharp competition on the fast-changing international market".

"Communists should be the first to be concerned about their people and country, and the last to enjoy themselves," he concluded.

Zhao Ziyang: embracing "checks and balances"

Chinese president attacks exiled Tibetan leader

BY OUR PEKING CORRESPONDENT

LI XIANNIAN, the Chinese President, has attacked the exiled Tibetan spiritual leader, the Dalai Lama, for allegedly orchestrating recent pro-independence protests in Lhasa, the Tibetan capital.

China has problems handling the Dalai, who still has a strong influence to Tibet , despite having fled to India during a failed uprising to 1959. Peking has frequently invited him to return to the country, though not necessarily to Tibet, but on Saturday President Li accused him of being a "splittist".

"We have respect for the Dalai Lama, but he does not respect China, his motherland. Ha is actually attempting to split the country up," the President told a visiting dalegation from the Nepalese parliament.

Meanwhile, the official "Tibet daily" has said that the government was overly lenient in dealing with protesters last September, whan a series of pro-independence demonstrations began, and so "a small number of separatists have gone even further by stirring up a still bigger incident".

Chinesa officials have attempted to characterise the independence movement as comprising only a handful of Tibetans, who are supposedly manipulated by the Dalai Lama. But a March 5 protest, in which thousands of Tibetans took part, was a sign that dissatisfaction with Chinese rule runs deep.

Hawke forced to review policies after NSW opposition victory

Chris Sherwell sees Labor lose ground in elections in four states

PRIME MINISTER Bob Hawke's Labor government in Australia is being forced to review its policies after the party was thrown out of *power in New South Wales and* suffered a sharp loss of electoral support in three other states.

Although it was not immediately clear whether the federal Government's five years of pragmatic economic policies were at risk, a chastened Mr Hawke acknowledged yesterday that he and the party might need to "do things differently".

His comments followed an unexpected but overwhelming landslide victory in Saturday'a New South Wales state election for the opposition coalition of the Liberal and National parties.

A estimated 10 per cent swing in the country's most populous state brought an end to 12 years of Labor rule and a significant majority for the new Premier, 40-year-old Mr Nick Greiner. Although Mr Barrie Unsworth, the Labor leader, held his seat, five of his ministers lost theirs.

At the same time Labor's majorities were slashed to two state by-elections in Western Australia, and there was a swing away from Labor as the Liberals won both a *Victorian* state by-election and municipal elections in Brisbane.

With the Liberals enjoying a tremendous psychological boost to their confidence, the Labor party now goes into a federal by-election in Adelaide this Saturday wondering if it can hold on to a supposedly safe seat.

Other state elections are due in the next 18 months in Victoria, South Australia and Western Australia, all of which have *Labor governments*. The next national election is still two-and-a-half years away.

The weekend setbacks follow a series of blunders and misfortunes by Labor which stand in sharp contrast to Mr Hawke's historic third national election victory in a row last July.

In the space of three months voters have witnessed the resignation of three federal Cabinet ministers, a serious by-election defeat, a scandal over a company donation to party coffers and rows over sensitive policies and Mr Hawke's style of government.

The scale of the defeat in New South Wales has nevertheless come as a genuine shock. In particular, it is a savage blow to the seemingly invincible right-wing faction of Labor which dominates federal as well as state politics and has been responsible for shifting the party to the right to the 1980s.

Acknowledging some responsibility for the outcome, Mr Hawke yesterday admitted the party needed to re-examine itself, its direction and its communication *with voters. He confirmed there* would be a review of "where we are and what we are going to do" in which "everything will be on the table".

What it will have to face is the unpalatable confirmation that, as Mr Hawke'a critics have been saying, the party now seems to have lost touch with its traditional base. In droves, supporters have deserted it in tha coal and steel areas around Newcastle, in the sprawling western suburbs of Sydney and in the country towns.

Giving his view last night, Mr Greiner said there was a lesson for Mr Hawke who, he said, was "symbolic of the sort of arrogance of the New South Wales Right which I think is the underlying reason why so many solid Labor areas deserted their voting roots, their traditional patterns of behaviour".

Mr John Howard, the Liberals' national leader, also blamed Mr Hawke, saying the outcome was "a classic example of the little man with a big head who's grossly out of touch with what average Australians now think."

It remains true, however, that the state election was fought mostly on local issues, and that the Liberals nationally do not yet have a coherent set of alternative policies to offer to the Australian electorate, and have so far profited mostly by the gaffes and disunity shown by Labor.

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Argentine phone contract battle takes fresh turn

BY TIM COONE IN BUENOS AIRES

THE BATTLE over highly lucrative telephone contracts in Argentina took another dramatic turn at the weekend, with the announcement that the state telephone company, Entel, is to be partially privatised with up to 40 per cent being sold to the Spanish state-owned telephone company, Compania Telefonica Nacional de Espana(CTNE).

Over the past year, Alcatel of France, Siemens of West Germany, and NEC of Japan have all put forward proposals to modernise and expand Argentina's telephone system, offering attractive long-term financing packages, which together total almost $1bn (£611m). No decision has been taken yet on any of the proposals.

CTNE has now entered the fray as a result of the preferential economic cooperation agreement signed between Argentina and Spain last month and which envisages new investments in Argentina of up to $8bn over five years, through a mixture of new credit lines, repatriation of capital and debt-equity swaps.

Significantly, Mr. Rodolfo Terragno, the Argentine Minister for Public Works and Services, who announced the Entel privatisation plan, said that the debt-equity swap mechanism will be utilised in CTNE's buy-in to the company.

This is a major departure from earlier government policy which has until now prohibited the use of debt-equity swaps in privatisation projects.

Mr Terragno explained, however, that the Entel plan involves an expansion of the company, through new investment of between $600-$900m by CTNE rather than a sale of existing assets.

A senior Entel official last year estimated the gross assets of the company to be about $3.7bn. The company atpresent operates 2.9mn telephone lines and is unable to satisfy a demand for a further 1m lines.

For the privatisation to go through, the legal status of Entel will have to be changed which will require a special law to be passed by congress.

As the government no longer holds a majority in either House of the congress, an intense political battle is anticipated.

Thai hydro-electric dam project may be shelved

BY PETER UNGPHAKORN IN BANGKOK

A TOP-LEVEL Thai Government committee has decided to recommend shelving a controversial Baht 10bn (£222m) hydro-electric dam project that would have been built to the country's largest wildlife sanctuary.

For six months the Nam Choan Dam has been hotly debated inside and outside Thailand, with demonstrations in Bangkok and the province concerned, articles in the British Ecologist magazine and interventions from Prince Bernhard of Holland and, more discreetly, the Duke of Edinburh and Prince Charles.

The committee, headed by General Thienchai Sirisamphan, a Deputy Prime Minister and former army commander-in-chief, amounted to Thailand's first attempt at public consultation on an issue of national importance.

It decided on Friday that, although the economic benefits would outweigh the costs, too little is known about the environmental and geological impacts to justify continuing the project without further study.

The Thai Cabinet is almost certain to accept the recommendation, thereby probably killing the project, since it has already been under study for about 10 years.

The recommendation is a setback for the state-owned Electricity Generating Authority of Thailand (EGAT), which had hoped to use Nam Choan's planned 580 Mw power output to supply 6 per cent of the country's peak demand by 1997.

EGAT expects Thailand's strong economic growth to increase demand by 7 per cent annually over the next 15-20 years, but electricity demand grew by 14 per cent last year.

EGAT will now have to invest in alternative sources.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Jan.'88	Dec.'87	Nov.'87	Jan.'87
US ($bn)	exports	22.330	24.801	23.799	16.755
	imports	34.767	37.003	37.016	28.692
	balance	-12.437	-12.202	-13.217	-11.937
Japan (US$bn)	exports	21.722	20.044	19.669	10.572
	imports	12.623	11.504	12.220	8.992
	balance	+9.099	+8.540	+7.449	+9.580
UK (£bn)	exports	6.183	6.817	6.881	6.235
	imports	7.688	7.827	7.938	6.752
	balance	-1.505	-1.010	-1.056	-0.517
France (FFrbn)	exports	77.707	81.597	79.591	67.730
	imports	78.341	82.480	80.273	70.180
	balance	-0.634	-0.883	-0.682	-2.450

		Dec.'87	Nov.'87	Oct.'87	Dec.'86
W. Germany (DMbn)	exports	45.00	44.76	45.80	43.15
	imports	34.11	34.47	37.22	32.95
	balance	+10.89	+10.29	+8.58	+10.20

Turkey maps out debt strategy

By Jim Bodgener in Ankara

THE TURKISH government has mapped out a comprehensive, medium-term, three-year debt servicing strategy, and has absolutely no intention of re-scheduling.

That was the message delivered by the country's central bank government, Mr Rüsdn Saracoglu, in a visit late last week to London to outline Ankara's debt servicing plans to its major foreign banking creditors.

The Turkish financial authorities are confident they will find the necessary $1.1bn (£611m) unsecured financing requirement for 1988 comfortably, said Mr Saracoglu. The reception given by bankers to his presentation, along with the State Planning Organisation chief, Mr Ali Tigrel, of the government's strategy was very positive, he added.

He admitted that a $100m, three-year loan arranged by Banker Trust International and signed in mid-March had not gone as well in syndication as expected.

But that was largely due to a lack of information about the government's economic plans in the hiatus between the general elections and the publication of the 1988 economic programme and budget in mid-February.

There also had been a damaging period in January and early February when the lira was under pressure on the un-regulated foreign exchange markets, said Mr Saracoglu.

A DM 300m (£100m) bond issue on the Frankfurt stock exchange signed in mid-February had already been secured, he said. It went very successfully and more than 95 per cent was sold to final investors rather than being retained by the banks.

Encouraged by this response, the central bank would probably utilise the West German market somewhat more during the year, said Mr Saracoglu.

"What we want to do is to approach niches in the market we have not tapped in the past," he said. In future, the central bank would seek securitised borrowings, in favour of commercial syndications. for these, another promising market is Tokyo, where Turkey will be eligible for rating in the summer.

In total, principal debt servicing plus interest and payments to the IMF will amount to $7.2bn in 1988, Mr Saracoglu continued. This breaks down into $2.9bn for interest, and $415m for the IMF payments; the remainder being principal. The total financing requirement will come from $1.2bn to project credit commitments, $3.9bn in medium and long-term borrowing, $535m in Turkish citizens' foreign exchange deposits and short term borrowing, and $200m from direct investment. Interest payments are already accounted for in the current account.

The government's strategy was gradually to reduce the current account deficit to $400m-$500m by 1991. That in turn would slow the rate of increase in external debt.

In the next phase, the total debt stock would be stabilised at around $42bn-$45bn.

Aid is coming from overseas but the fight is being hampered, **Francis Ghiles** writes

Morocco steps up war against locusts

MOROCCO is stepping up its fight against the worst plague of locusts to have hit the kingdom since 1965, with the help of many West European and North American countries to which it appealed 10 days ago.

As light aircraft, pesticides and spraying equipment arrive, the authorities in Rabat are hoping to increase the areas they can treat every day from 25,000 to 45,000 hectares.

Apart from the relative lack of equipment,the fight is hampered by the winds over southern Morocco and the Western Sahara which are blowing towards the north-west.

These winds are helping the locusts towards the rich Souss farming area which lies around the coastal tourist resort of Agadir. At this time of year, the prevailing winds are usually south-easterly.

The presence of nomads, along with the fact that initial stocks of pesticides were often 20 years old, and thus less efficient, is not making the task of the authorities easier.

Since the middle of last week, however, Spain has dispatched four Cesna light aircraft, and the French Gendarmerie four Alouette-2 helicopters.

France has also dispatched two DC-6 aircraft loaded with pesticides and spraying equipment. West Germany has sent 100,000 tonnes of pesticides while the UK will be dispatching £50,000-worth of spraying equipment and the European Community has pledged Ecu 800,000.

Two USAid chartered DC-8 aircraft unloaded 50,000 litres of Malathion pesticide in Agadir yesterday. Both aircraft flew straight back to New Jersey to reload.

Destroying the locusts is going to be a long and arduous affair, which could take up to two years. Within the frontiers of Morocco and over the past the two months, observers in Rabat believe that about half the "hopper bands" - that is, locusts in larval form which have no wings and thus travel on the ground - have been destroyed.

The others, however, have laid eggs, which take 50 to 60 days to hatch, two or three inches underground. The exceptionally heavy rains which fell during the winter and the warm weather since are shortening the time it takes for the eggs to hatch.

Pesticides,which need to be applied every few days, are either sprayed from the air, or from the ground by people carrying back-packs and working with the help of Land Rovers.

Detecting the locusts in an area of sand, rock and scrubland is difficult. Adult locusts must be sprayed between dawn and 10 am when they start flying, or in the evening.

The worst affected area is centred around the small town of Goulimine,south of Agadir, but the locusts have already invaded the Draa Valley which lies north of Zagora and reached Ouarzazate.

Until a week or so ago, the dispute over the status of the Western Sahara appears to have prevented Morocco and Algeria from exchanging information about the danger they both face.

One senior Moroccan official has confirmed that the countries are now co-operating,not least where the movement of light aircraft is concerned.

Co-operation between the North African countries,from Morocco to Libya, will be needed on a far broader front as the locusts are not simply swarming over southern Morocco. Algeria, Tunisia and Libya are facing a similar plague.

SHIPPING REPORT

Dry cargo market stays focus of attention

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE dry cargo market remained the centre of attention last week as China took a reported 10 vessels in the Atlantic and Pacific trades for grain transport.

This development, which followed renewed activity from Soviet charterers on the Atlantic, led to a strong upward movement in freight rates.

Commercial charterers were faced with demands for up to $28 for Panamax tonnage in the US Gulf to Japan grain trade, and $16.75 for the trip from the US North Pacific to Japan.

Denholm Coates, the London brokers, said prospects for the next few weeks appeared good in both the Atlantic and Pacific markets.

In the tanker market, brokers said charterers were waiting for crude oil prices to reach their lowest level before committing themselves to tonnage.

Owners' problems in the Middle East Gulf were also complicated by a resumption of attacks on merchant shipping after a period of relative calm.

E.A. Gibson, the London brokers, said the market had been extremely quiet since a Burry of business at the end of the previous week.

The only reported Middle East Gulf business was for eastern destinations.

New oil find in Venezuela

By Joe Mann in Caracas

AN OPERATING unit of Venezuela's national oil company said this weekend that it has discovered new crude oil reserves estimated at 1.2bn barrels and natural gas reserves of 2.8 trillion cubic feet in eastern Venezuela.

The new find represents an addition to huge fields the government has identified.

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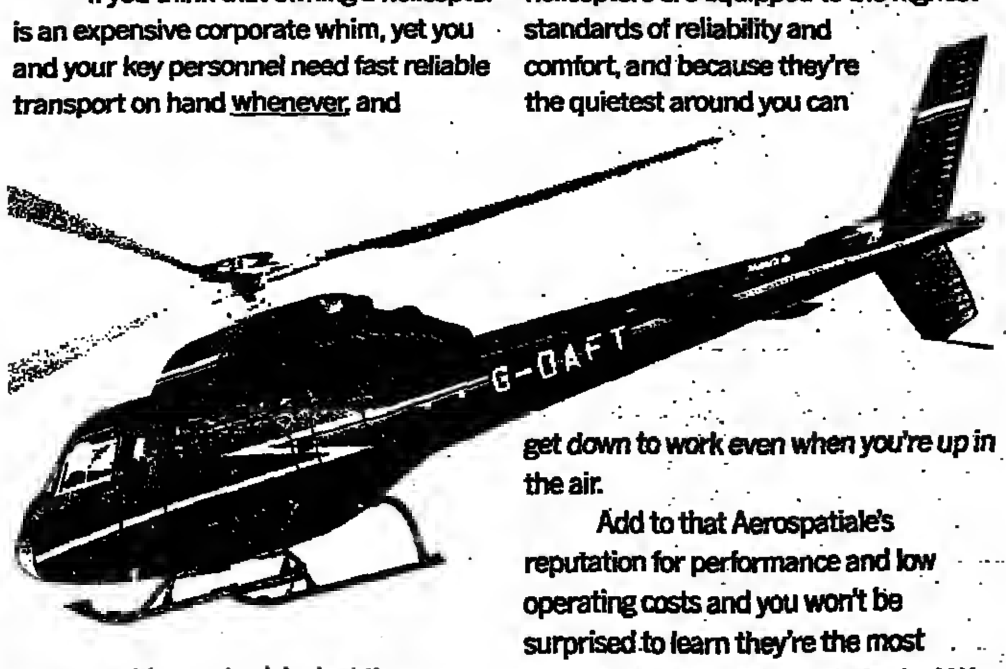

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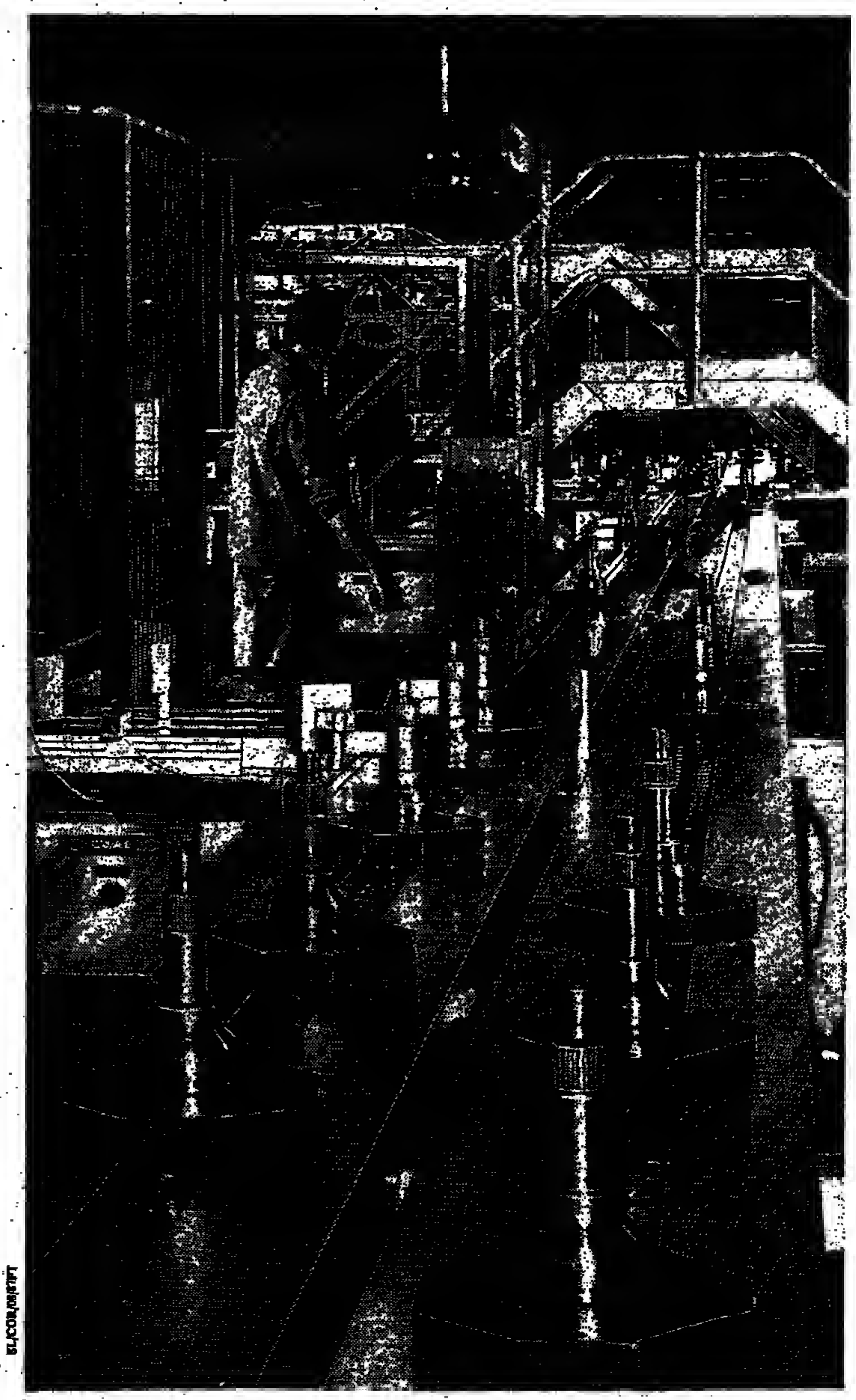

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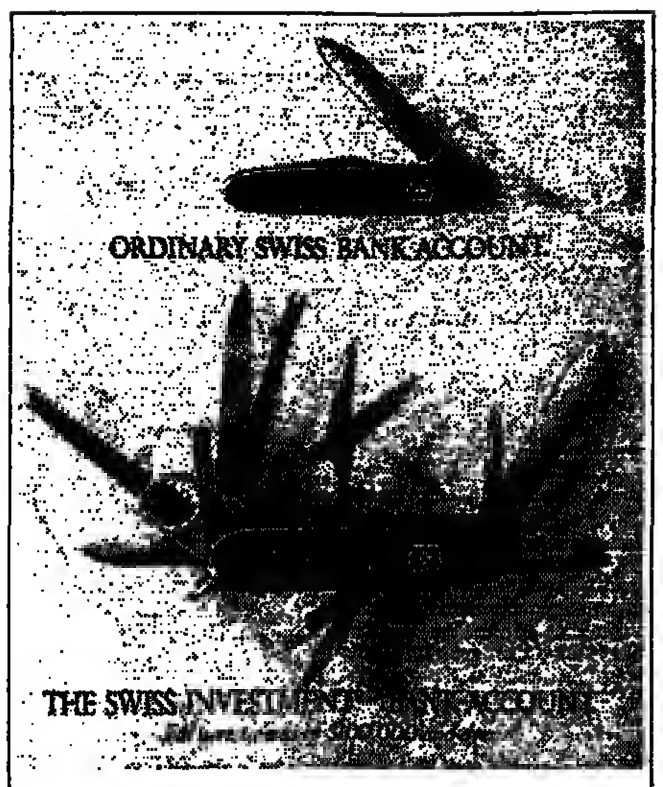

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UK NEWS

Senior Tories see room for further tax reforms

BY PETER RIDDELL, POLITICAL EDITOR

BRITAIN'S TAX system may still be reformed later in this parliament or after the next election, in spite of the doubts of Mr Nigel Lawson, Chancellor of the Exchequer.

Mr Lawson said last week that, after the far-reaching package of personal tax changes in Tuesday's Budget, there was nothing that immediately sprang to mind and he had no specific plans for further reform.

However, other senior ministers and advisers of Mrs Margaret Thatcher, the Prime Minister, believe that, following the Budget and the changes in company taxation in 1984, the impetus for reform should not be lost.

These key policymakers argue that several areas still require change, such as the system of tax allowances, national insurance contributions and savings through pension funds.

Consequently, they say, further reforms should not be ruled out, even though they may take until next parliament to implement, both for political reasons and because of the Inland Revenue's reluctance for further changes.

Their argument is that the reduction in higher tax rates should make possible a wider assault on tax perks and shelters after the start last week with the

Nigel Lawson: doubts

increase in tax on company cars and the tax treatment of forestry.

Some ministers favour a resumption of the battle against allowances at higher rates of tax, although Mrs Thatcher has firmly resisted changing the system of mortgage interest relief.

As a longer-term option, some of Mrs Thatcher's advisers believe the system of national insurance contributions will have to be changed to reduce disincentives at the lower end of the scale and to make the system more progressive.

The Commons four-day debate on the Budget will end today with opposition parties voting against some of the tax cuts. Tories are worried about a possible repetition of the demonstrations which disrupted last week's Budget speech.

Two opinion polls published yesterday show backing for the 2p cut to 25p in the pound in the basic rate of income tax, but widespread opposition to the reduction in the top rate from 60p to 40p in the pound. A Mori survey of 1,600 people last Thursday and Friday shows that while 60 per cent support the cut in the basic rate (with 33 per cent against), only 27 per cent back the new higher rate (with 68 per cent against).

A Gallup survey shows that while 68 per cent approve of the cut in the basic rate, only 29 per cent back the lower top rate. Two-thirds of those interviewed feel the Budget is not fair, with 55 per cent saying it makes them less favourably inclined towards the Government, with only 12 per cent taking a more favourable view.

Conservative Central Council Page 10; Time to end archaic budget procedures, Page 21

Seamen set for ballot on P&O strike as port delays continue

BY CHARLES LEADBEATER AND KEVIN BROWN

THE NATIONAL Union of Seamen executive council, which meets today, was last night expected to call a national strike ballot among its members at Peninsular and Orient.

This was in spite of the company's offer of further talks aimed at settling the seven-week strike by more than 2,000 Dover seamen, and averting the threatened national strike, which could affect the company's entire ferry fleet.

The company's move came as large ports on both sides of the channel faced worsening congestion as a result of a pay strike by French seamen which has seriously affected Dover.

The Harbour Board said about 500 lorries were waiting for a passage, and queues were building up on the M20 motorway from London. Tourists faced delays of up to 12 hours and many were being diverted to Folkestone where Sealink's UK-registered services were running.

The NUS' executive council is expected to call a strike ballot among all its members at P&O, including seamen on its other ferry services, tankers and cruise liners.

The union argues the strike would be within the law because it would be in protest at job cuts throughout the company, rather than in sympathy with the Dover seamen.

Significantly Mr Peter Ford, chairman of P&O Ferries, indicated that the company was prepared to reconsider some of the union's suggestions for ending the dispute, as well as proposals made by Acas, the conciliation service, during talks last week which broke down.

The NUS said it would not compromise on its insistence that there should be three crews per ferry, as opposed to the 2.5 crews P&O wants.

On the French side of the Channel no ships operated by SNCF, the French national railway company, were moving out of Calais, Dieppe or Boulogne.

No talks were planned to end the French dispute, which was sparked by a claim for improved pay and conditions, but fuelled by anxieties that SNCF may attempt to achieve staffing reductions along the lines of those sought by P&O.

Talks over Land Rover dispute to reopen

By Our Labour Correspondent

MANAGEMENT and union officials at Land Rover, the Solihull vehicle manufacturer, will today reopen negotiations aimed at settling the four-week-old pay strike by the company's 6,000 manual workers.

The talks were suggested by Acas, the conciliation service, on Friday night, after contacts with both local and national union officials.

Significantly it is expected that national officials of the motor industry union's may take part in the talks. They did not take part in exploratory talks organised by Acas two weeks ago, which broke down.

Neither the company nor the unions would disclose whether the talks were intended to be merely exploratory or whether there would be substantive negotiations over the company's two-year pay offer which led to the strike.

In the past week about 90 Land Rover workers have crossed picket lines to return to work at the Solihull plant in the Midlands.

While union officials insist there is strong support for the continuation of the strike, the company has suggested thet the drift back to work is indicative of underlying disenchantment with the strike.

It is thought that senior Land Rover stewards were disappointed when the earlier Acas talks ended in failure.

Throughout the strike the company has insisted that it will not improve its pay offer, worth 8 per cent over two years, but 14 per cent with the consolidation of bonus payments into basic rates of pay.

The management has also warned thet it would have to consider reducing the offer, should the strike continue, in the light of the damage caused to the company by the dispute.

Last week, work returned to normal at General Motors' plants at Ellesmere Port and Kirkby, after about 7,000 workers accepted a pensions package agreed by management and union negotiators.

The workers were at the forefront of the GM unions' two year campaign to press the company to use a £241m pension fund surplus to fund improved pensions.

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Company Notices

RIGGS NATIONAL CORPORATION
USD 100,000,000
Floating Rate Subordinated Notes 1996

In accordance with the provisions of the notes, notice is hereby given that for the period March 18, 1988 to June 20, 1988 the notes will carry a rate of interest of 7 per cent per annum with a coupon amount of USD 182.78.

CHEMICAL BANK
As Agent

RIGGS NATIONAL CORPORATION
USD[illegible]
Floating Rate Subordinated Notes 1996

In accordance with the provisions of the notes, notice is hereby given that for the period March 18, 1988 to June 20, 1988 the notes will carry a rate of interest of 7 1/8 per cent per annum with a coupon amount of USD184.41

Chemical Bank
As Agent

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Luxembourg, March 21, 1988.

THE FISCAL AGENT
KREDIETBANK
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Amount outstanding: FLUX 160,000,000

Bonds previously drawn and not yet presented for redemption:

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3902 to 3904 incl.
4675 4676
4745 to 4749 incl.

Luxembourg, March 21, 1988

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

BANQUE NATIONALE DE PARIS
US$ 300 Million
Floating Rate Notes 1985/2005

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UK NEWS

Poll tax data to help compare council spending

BY PETER RIDDELL, POLITICAL EDITOR

LOCAL AUTHORITIES' spending-level comparisons will be sent to every adult in England and Wales when the community charge, or poll tax, is introduced in April 1990, Mr Nicholas Ridley, Environment Secretary, said at the weekend.

He was addressing the Conservative Central Council's annual meeting, held this year at Buxton, Derbyshire.

He said that each April adults would receive an envelope containing information not only on the amount of tax to be paid but also on national standard levels of spending and charge.

This is part of the Government's attempt to strengthen accountability and the pressure on what it sees as high-spending local authorities.

Mr Ridley said one column would specify levels of county, district and parish spending, less government grant and the proceeds of the uniform business rate, leaving the amount of community charge to be paid.

Another column would state the sum if the council were providing a standard level of service efficiently, taking account its particular needs.

He said this year the total would have been £178 per head everywhere in England.

Moreover, "once the full system is in place, the charge will always be the same in every area, if all councils provide the same level of service taking account their needs at the same level of efficiency."

In relation to the uniform business rate he repeated his assurances that there would be an annual ceiling on rates rises, though it would be hard to estimate what that should be until revaluation was completed.

He suggested smaller businesses should have a lower annual percentage rise, though this smoothing of losses would have to be accompanied by smoothing of gains too.

Business 'will face more competition after 1992'

BY OUR POLITICAL EDITOR

BRITISH companies need to appreciate that they will face more competition after completion of the European internal market in 1992, Mr Francis Maude, minister responsible for corporate affairs, said yesterday.

Mr Maude said the Government had negotiated the measures creating a single market and so had a duty to tell businesses about them. He was speaking at a conference of the Bow Group, the Tory research body, in Oxford.

He sought to reply to Labour criticism that industry would suffer after 1992 unless the Government protected British interests more actively. Mr Maude said the Government believed business would prosper rather than suffer when challenged in the market-place.

He stressed his hope that the deadline of the end of this year set by heads of European Community governments for decisions on liberalisation of capital movements could be met.

He also discussed advantages and problems created by the extension of qualified majority voting of EC governments to a number of single market areas.

He pointed as an example to agreement on a common position on sale of insurance services from one member state into another without establishing a local presence in the host market.

Mr Maude warned that if misused, qualified majority voting could make it more difficult rather than less to make progress.

This could happen if the European Commission was tempted to bring forward proposals under the article providing for qualified majority voting when other articles requiring unanimity might be more appropriate.

Think tank supports Thatcher on curriculum

By David Thomas

A NATIONAL education curriculum should restrict itself to setting clear minimum standards for the three core subjects of English, mathematics and science.

That is the conclusion of a report published yesterday by the Centre for Policy Studies, a right-wing think tank.

The education reform bill, now going through Parliament, proposes a national curriculum for the first time, but the precise content is still being considered.

The CPS report will be seen as siding with Mrs Margaret Thatcher, the Prime Minister, who in recently leaked correspondence with Mr Kenneth Baker, the Education Secretary, supported uniform tests for children at ages 7, 11, 14 and 16. These would allow parents to compare the performance of different schools.

Dr Sheila Lawlor, the report's author, believes the national curriculum could do more harm than good if it is influenced by the views of the educational establishment, which she argues have contributed to poor standards.

These views, as described by the report, include the belief that there are no absolute standards; the lack of stress on teaching bodies of knowledge; an emphasis on learning through practice, investigation, discussion and games, rather than through written means; a search for "relevance" in teaching including social relevance; and the belief that subjects should be interdisciplinary.

The report concludes: "Things may get even worse if the assumptions and practices of what is known as the 'education service' become legitimised under the new act."

Instead, the report proposes a series of requirements to be reached by all children in English, maths and science by the ages of 7, 11, 14 and (for English) 16. The requirements centre on basic numeracy and literacy and are seen as minimums for the average child.

Correct Core: Simple curricula for English, maths and science. CPS, 8 Wilfred Street, London SW1E 6PL. £3.90.

Michael Dixon explains education officers' responses to the planned abolition of Ilea

Preparing to plug gaps in London's teaching

AS THE LONDON schools' steel bands strike up at the Barbican Centre tonight, the leaders of the Inner London Education Authority will be hoping the young musicians hit a political note resounding far beyond the concert hall. The Government has condemned Ilea to be broken up on March 31 1990, and the Labour councillors who rule over it are already orchestrating a campaign to keep it together.

Although state-funded education in the capital's 13 central boroughs has always been run by a single authority, Tory Ministers led by Mr Kenneth Baker, Education Secretary, plan to hand control of the schools and colleges in each of the 13 areas to their individual borough council. The threatened authority's leaders are taking every opportunity to alert London voters to the likely drawbacks – this evening's event at the Barbican being one instance.

"The London Schools Steel Orchestra is yet another example of the excellent quality of musical provision within Ilea," said Mr Bernard Wiltshire, the authority's deputy leader. "Unfortunately tha Government's threatened aholitiou of the authority places the hopes and ambitions of these young musicians in jeopardy."

Nevertheless, while the Labour politicians are campaigning to prevent the change, officials who administer the central boroughs are in many cases treating it as certain to go through.

The 13 boroughs are Camden, Islington, Hackney, Tower Hamlets, Greeuwich, Lewisham, Southwark, Lambeth, Wandsworth, Hammersmith and Fulham, Kensington and Chelsea, Westminster, and the City of London.

Preparations are more developed in some areas than others, but there are few, if any, which have not made some provisions.

"I know we may seem disloyal to our elected political leaders in anticipating that Ilea's abolition will go through," said one senior official.

"But it is our joh to provide local people with the services they're entitled to expect, and we have a duty to be ready for foreseeable changes, especially those with potential problems like this one has."

From the viewpoint of staff within the boroughs' administrative offices, however, the main potential problems are not the same as the difficulties predicted by interested parties outside.

For example, public concern has been focused on inner London schools and colleges, built to serve the central capital as a whole, but sited in the wrong places to enable each separate borough to provide an adequate educational service for its area's population. But that difficulty is one which the administrators think will fairly easily be overcome. As another senior official said:

Kenneth Baker: intent on abolishing the authority

"The fact is that all children who go home from a particular school on March 31 1990, when Ilea is abolished, will go back to the same school on April 1, even if the borough running it is not the borough in which they live. The only transfers that take place will be in the accounts of the relevant local authorities. We are all making accountancy transfers like that all the time.

"It is true there are soma things that will be less easily dealt with. One instance is Ilea establishments such as boarding schools for children with problems, which are sited altogether outside London. Another is central services such as purchasing and supplies. A third is further education colleges serving far bigger areas than the borough they happen to be in.

"What will happen is that the residuary body set up to see the change through will make some arbitrary decisions about which authority is to control what, providing users' rights to others. It will be rough justice. Although each of us will suhmit an advance plan saying which institutions and services we wish to run, in some details we won't be granted what we want and here and there may have undesired responsibilities thrust upon us."

The same official added that, where central services like buying and supplies are concerned, the residuary hody might well decide to hive off the service as a self-financing operation. The Ilea's supplies unit is already used on a paying basis by surrounding county ednclation authorities such as Kent.

There is a particular complication in the case of the City of London, which has only one state-funded primary school in its area. The City Corporation will probably contract to have it run by a neighbouring borough while retaining policy responsibility for the school.

What senior administrators do see as a problem, however, is the timing of the change. It is scheduled to coincide with a variety of other upheavals, such as the rejigging of housing benefits payments and the replacement of the present rating system by the poll tax, which will be a more complex operation in the capital than elsewhere.

In the words of one official: "If we London authorities are going to cope properly with such a weight of burdens, we are all going to need additional management expertise – and where it is going to come from is a qoestion uobody in central Government seems to have asked.

"While all of us will be hard pressed, I would say shortages of administrative ahility will be especially dire in councils under heavy left-wing influence such as Hackney, Lambeth and Southwark.

" There, the problems the rest of us face are being compounded because the results of having tried to get round rate-capping with creative accountancy are now coming home to roost.

"But with very few exceptions, come 1990, education and all else that is being changed will be by and large functioning adequately. After all, it's well known that if you want local government officers to achieve the impossible, all you have to do is tell them it's required."

Magazine plan for local papers

BY RAYMOND SNODDY

PLANS for a free weekly colour magazine to be inserted in up to 29 regional evening newspapers are being finalised in preparation for a September launch.

The magazine, to be called Plus, will be published by Hamfield Publications.

Mr Frank Hampton, managing director of Hamfield, said he was in the final stages of putting together an £8m financial package.

Pearson, the publishing and industrial group which owns the Westminster Press group of regional newspapers and tha Financial Times, has decided in principle to take a substantial stake in Hamfield.

If a Pearson investment, which could be about £2m, goes ahead, it is likely to be the first investment made by the new £30m Pearson Media Development Fund.

The fund is managed by the Development Capital Group, the venture capital arm of Lazard's, the merchant bank in which the Pearson group has a 50 per cent stake.

However, Hamfield is keen to ensure that the shares in the product are held hy a broad range of newspaper publishers to avoid domination by any one of them.

Negotiations are under way with a number of potential backers.

The magazine will be published on Wednesdays and the aim is to distribute it nationally in newspapers with a circulation of 3m.

Mr Hampton, a former advertising executive with Express Newspapers, said: "It will be a general interest magazine, a happy family read with 100 per cent colour capacity.

"It will harden and perhaps even increase circulations," he said.

Mr Hampton said Hamfield would reimburse regional newspapers for any extra distribution costs involved in circulating the magazine.

The company would in turn sell the advertising and Mr Hampton said he hoped turnover in the first year would top £20m.

Newspapers included in the draft agreement are believed to include the Manchester Evening News and the Birmingham Evening Mail.

Formal agreements will be signed once the financial package has been completed.

Magazines inserted in newspapers are big business in the US.

Plus will be the first of its kind in the UK, although the Evening Standard in London produces a monthly colour magazine.

Budget changes financing for regional newspaper

BY RAYMOND SNODDY

THE North West Times, the proposed quality daily newspaper to serve north-western England, has had to change its business plan because of the Budget.

It aimed to raise £1.5m of £2m capital from the Business Expansion Scheme, but last Tuesday Mr Nigel Lawson, Chancellor, said BES funding would be limited to £500,000.

This led Mr Eddie Shah, head of Messenger Group newspapers, to end plans to launch The Post, a proposed national popular tabloid, in the autumn.

He aimed to raise £1.5m from the BES, but said that unless the missing million were forthcoming immediately, finding more funds was not worthwhile.

Guidehouse, the merchant bank raising funds for NWT, said the Budget meant substantial changes to its plan. However, it would proceed with raising £500,000 in BES funds and was optimistic it could obtain the rest from institutional investors by next month's end.

Mr Robert Woodhouse, a former Guardian journalist who would edit NWT, said yesterday: "I am very confident that the project will go ahead."

He said that by using direct-input technology, the Manchester-based paper could survive on a circulation of 47,000 and succeed financially on sales of 60,000.

NWT chairman is Mr Roger Bowes, formerly Express Newspapers chief executive. The newspaper's circulation-area would be from north Staffordshire to the Borders and eastward to the Pennines.

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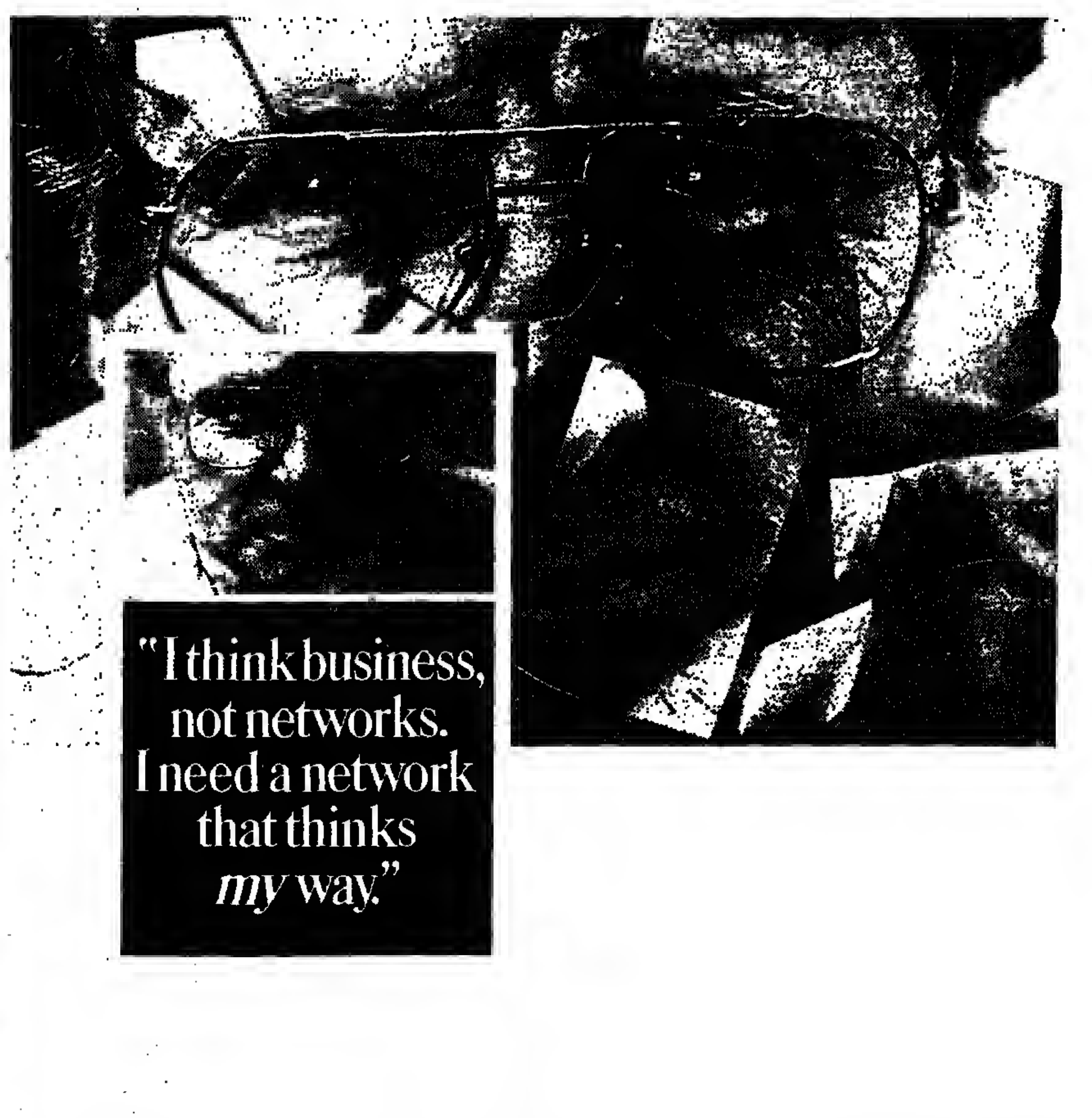

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TELEMATICS

INFORMATION AS YOU NEED IT

Truce expected in dispute over coal imports

BY MAX WILKINSON, RESOURCES EDITOR

THE South of Scotland Electricity Board is today expected to agree a three-month truce with British Coal in the battle over cheap imported coal.

Negotiations were held over the weekend after ministers had told tha two parties to get together again.

As part of the truce, British Coal would ask the High Court in Edinburgh to lift its injunction which prevents the SSEB from importing coal to burn at Cockenzie and Longannet *power stations.*

British Coal obtained the injunction after charging the SSEB with trying to break a long-standing agreement to buy domestically-produced coal for two power stations. The SSEB claims that British Coal's prices are much too high and that it can do better on the world market.

Negotiators for the two sides this weekend agreed that the SSEB would continue to take a substantial tonnage from British Coal for three months. The prices agreed are thought to be similar to those charged by British Coal before the dispute broke out.

One of the main arguments is about the tonnage which should be supplied at prices related to those on world spot markets.

If the SSEB ratifies the agreement today, the two sides will meet again, probably on Wednesday, to discuss a longer term deal. However, British Coal has not withdrawn *its suit. Judgment* is expected in two or three months.

The argument, which many have seen as a trial of strength *prompted by the Government's* plans to privatise the electricity industry, has embarrassed ministers by its bitterness. The SSEB has threatened to close the two *power stations* if it cannot import coal for them, and it recently announced that it has agreed to buy a large tonnage of imports for another power station in Scotland.

British Coal has warned that many jobs will be lost if it is forced to close the pits supplying Cockenzie and Longannet.

● The Government has given *British Coal permission* to write off £143m of debt accumulated by its snbsidiary Coal Products, which makes coke and other fuels.

The loss was recorded in British Coal's accounts for the year ended March 1987. Mr Cecil Parkinson, the Energy Secretary, said he had agreed that British Coal should waive the debt and cancel £22.5m of preference shares.

Government efforts fail to speed up road repairs

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

GOVERNMENT efforts to speed up the rate of road repairs have failed to bring about significant improvements, according to a *Transport Department report.*

The National Road Maintenance Condition Survey, which excludes motorways and roads in Scotland and Northern Ireland, shows that the condition of the road system was generally unchanged from 1986 to 1987.

The report says it *is too early* to conclude that a steady deterioration in the system since 1980 *has been halted,* and points out that conditions remain worse than in 1977, when snrveys started.

Mr Peter Bottomley, the roads minister, said the survey showed a small, but not statistically significant improvement which *suggested conditions were being* improved by an expanded maintenance programme which is *intended to clear* the backlog of repairs on the motorway and trunk road system by 1992.

Mr Bottomley blamed underspending by local authorities for the lack of improvement in local *roads, and urged councils* to increase maintenance spending for 1988-89 by the full 13 per cent provided by the Government.

"It is for authorities to adjust *their spending priorities* to give road maintenance the priority we believe it deserves. If the underspending proves set to continue, we will be looking for ways to remedy the situation," he said.

The Association of County Councils pointed out, however, that although the Government had raised the ceiling on road maintenance spending, it had not provided extra money.

As a result, local authorities will *have to cut other spending* programmes to meet government targets, or suffer cuts in rate support grant for breaching overall spending limits.

Kleinwort man 'to be Hill Samuel unit head'

By Nick Bunker

HILL SAMUEL, the merchant bank, says it is to hire Mr Ray Green as head of corporate *finance. He is now a senior figure* at Kleinwort Benson, one of Hill Samuel's biggest rivals.

Mr David Davies, group chief executive of Hill Samuel, said yesterday that Mr Green had been recruited with the help of headhunters and was expected to join the bank in the next two months.

At Hill Samuel he will be running one of the City of London's largest corporate finance units, with a staff of more than 100 and about 125 clients.

The unit has been weakened in the past year by losses of key staff, including Mr Trevor Swete, its former department head, and his deputy, Mr Christopher Roshier. Both were *fired last September.*

Mr Green worked at Kleinwort Benson directly under Mr Tim Barker, head of the corporate finance department. Mr Barker said yesterday that no announcement had been made that Mr Green was departing, *and declined to comment further.*

Mr Davies said the decision to recruit Mr Green followed from the group strategy established for Hill Samuel when it was acquired in 1987 by TSB, the banking group.

"We felt that there was no way Hill Samuel should attempt to be one of the *penurious survivors among* London's integrated investment banks," he said.

It had decided instead to focus on its historic strengths in fee-based merchant banking work, including corporate finance.

Hill *Samuel was recruiting* Mr Green because "we needed to find someone who would support and be comfortable with that strategy," Mr Davies said.

Building societies plan to merge

BOLTON BUILDING Society, with £100m assets, plans to merge with Cheltenham & Gloucester, the 10th largest society with £4.4bn assets.

Bolton is known to small investors as having some of the highest interest rates offered by any society. Under *the merger terms, special* investment deals will be offered to Bolton investors and rates for most borrowers will be cut.

Peter Riddell reports from the annual Conservative Central Council meeting at Buxton

Sense of triumph dominates Tory gathering

THERE is an air of triumph *among senior Tories.* Nine months after their third successive election victory, Mrs Thatcher and her senior colleagues believe they are on *course for a fourth term.*

Moreover, most leading opposition politicians privately agree – as does three-quarters of the electorate, according to recent opinion polls.

At the annual meeting in Buxton on Friday and Saturday of the Conservative Central Council – local party chairmen and the like – there was scarcely a hint of even the mildest dissent.

The tone of the meeting, held before news came through of the latest barbarities of IRA supporters in Belfast, was confident, even at times smug and complacent, among the generals on the *platform and also the colonels on* the floor.

Mrs Thatcher, as always, set the tone. The Budget was "Super Tuesday," a humdinger, "the epitaph for socialism." She talked of "Britain's miracle" and "dynamo Britain."

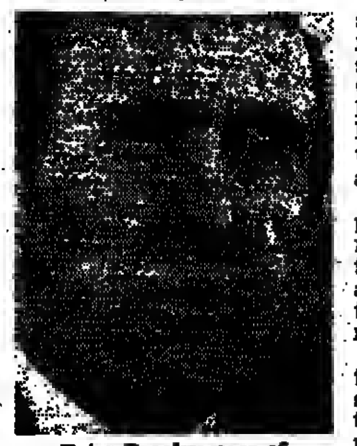
There was much more to do. "Has the balance in favour of the individuals been pushed far enough? I do not think so," she said.

There was no hint, either in her speech or that of the seven other ministers who spoke, of any slowing down or consolidation. Mrs Thatcher talked, in terms which would have astounded some of her predecessors, of "the intellectual creativity of Conservatism."

Similarly, Conservative Party chairman Mr Peter Brooke referred to the pace of change quickening as each year goes by. Mr Kenneth Baker, the Education Secretary, also confidently claimed that the Government was still dictating the terms of political argument.

The opposition parties were dismissed with scorn and smiles. The disruption of the Budget last Tuesday and Ford's abandonment of plans for a plant in Dundee because of trade union attitudes were gifts for the Tories.

Labour was written off since, like "one of those prehistoric mammoths we sometimes discover trapped in the Siberian ice,



Peter Brooke: pace of change is quickening

it still clings to the tenets of primeval socialism."

The upheavals of the former Alliance were derided as "a small world turned upside down," and the divided result was "a party without a leader and a leader without a party."

All this is much more than just propaganda for the faithful. Most senior ministers believe they retain the initiative. For all the strength of individual shadow Cabinet members, they regard Labour as unelectable as long as Mr Neil Kinnock remains leader, while the centre parties are seen as a spent force.

The phrase, "we live in a one-party state," is heard more and more among Tory MPs. Commentators may worry about signs of authoritarianism, insensitivity to the plight of the poor and two nations.

However, ministers believe they have the time and political strength to ride out problems like the expected furore over next month's social security changes and the introduction of the poll tax in England and Wales in 1990. The latter may aggravate the usual mid-term dip, but is seen as manageable.

Even the recent controversy over the National Health Service is regarded as only a temporary problem, and more as an opportunity to win acceptance for radical changes. Virtually everyone in Whitehall privately accepts that more money will be made available, not only for the nurses, but also, in time and with strings, for hard-pressed health authorities.

The Government's opponents may hope this self-confidence is a symptom of hubris and talk about Mrs Thatcher riding for a fall. Privately, they recognise this is whistling in the dark.

It all, of course, depends on the state of the economy. The poll evidence suggests that if the majority of people remain optimistic about their economic prospects – as they have been for some time – then the Tories will be virtually impossible to beat. People may tut-tut now about cuts in higher tax rates, but they predictably approve of other measures benefiting them.

No wonder, then, that every speech at Buxton mentioned the Budget and praised Mr Nigel Lawson, the Chancellor. After Mrs Thatcher he is now indisputably the dominant figure in the Government. He knows it. She knows it. They also both know that, for all their friction over exchange rate policy, they have to co-exist for the continued success of the Government.

Leadership race dominates Democrat rally

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE Social and Liberal Democrats gathered in revivalist mood at Central Hall, Westminster on *Saturday to preach the gospel of* new-found harmony and to identify and condemn all unbelievers.

More than 1,000 supporters of the new party made their way to London's principal Methodist meeting place for an SLD rally which was intended to end feuds and *to begin restoring credibility* to centre-ground politics.

There was much talk of the confluence of political streams, the scaling of mountainous peaks, of unity and fraternity, of democracy under threat, of the enemy – redefined to include the Owenite SDP – and the battle which lay ahead.

But the attention of those *attending the first post-merger* rally was concentrated not so much on the struggle to come as on who would lead it. With the forthcoming leadership contest to the fore, likely contenders took part in an inevitable political "beauty contest."

Mr Malcolm Bruce, whose grassroots popularity makes up for a less than dynamic parliamentary presence, spoke worthily on industry.

Mr Alan Baith's Bndget onslaught drew laughter for his analogy of a Sumo wrestling "Law San" locked in combat with the First Lord of the Treasury.

Mr Paddy Ashdown, the swash*buckling, mandarin-speaking* MP for Yeovil, mounted an unimpressive attack on Mr Kenneth Bak-

Paddy Ashdown: apparent leadership favourite

er's Education Reform Bill – "the most dangerous piece of legislation brought forward by any government for the last half-century" and won half-hearted applause.

There was a better reception for the Get Well Soon message which went out to Mr Charles Kennedy, the 28-year-old MP who was kept away by illness. Mr Kennedy, however, has said he will not stand for the leadership and last week came out in support of Mr. David Steel, the party's joint interim leader.

Mr Ashdown, the apparent favourite to become the first Democrat leader in July, may not *find the contest* as much of a walkover as some have suggested. The indications yesterday were that his support among parliamentary colleagues is on the wane. They regard him as unpredictable and as something of a loner, although most still believe that if Mr Steel withdraws, Mr Ashdown could be left in pole position.

Mr Robert Maclennan, the other joint leader of the SLD whose future intentions remain a mystery, appeared to get off to a bad start by referring only to fellow social democrats – recovering in time to embrace "Liberals, Democrats all." He drove home the message that the Labour party was in irreversible decline, with the Democrats ready to fill the breach.

The theme was also picked up by Mr Steel, who keeps everyone guessing – including himself – about his intentions. He is reported to have told colleagues little more than a week ago that he would not stand, but has since reopened the possibility.

It emerged at the weekend that one of those not hanging on to see which way he jumps is Mr Alec McGivan, one of Mr Steel's closest lieutenants, who is taking up a two-year post with the City of London Corporation. His departure at once led to the confirmation of Mr Andy Ellis, the former general secretary of the Liberal party, as the SLD's £30,000-a-year chief executive.

Whether he stands or not, Mr Steel's contribution contained the most meat. He attacked an increasingly "anti-social" government for a budget which assumed the rich required more incentives to work than the rest of the population.

Mr Steel said that while someone on £10,000 a year evidently needed £3.60 a week to get them "revving on all cylinders," Sir Ralph Halpern, the £1.3m-a-year Burton Group boss, needed an extra £5,000 a week to get him out of bed in the morning. The Democrats, he said, would vote against the income tax cuts in the Commons tonight.

Mr Steel claimed that Labour was in the grip of anti-democratic forces. Mr Neil Kinnock, the Labour leader, was little more than "an agreeable front-man" for the deadly alliance of the Left and the trade unions.

Lord Jenkins of Hillhead, who is expected to lead the Democrats in the Lords, could not resist a jibe at Dr David Owen, the leader of the SDP. He dismissed the SDP as a "schismatic rump" and, quoting Asquith, added: "I do not wrestle with chimney sweeps."

Then came the collection. Mr Ian Wrigglesworth, the former SDP MP and a likely candidate for the party presidency, said the new party would be independent of millionaires, and people would have to dig into their pockets.

He said £300,000 of Liberal debts had been written off in the last six months, and went on to extract £23,000 from people at the rally. With the party's first-year budget set at just over £1m, a cash drive will begin shortly.

Company pay forums called for

By Peter Riddell, Political Editor

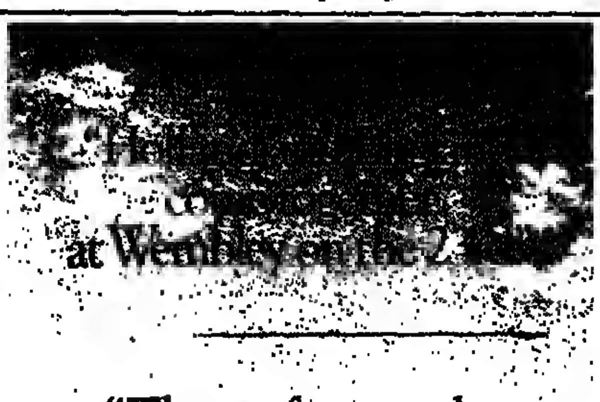
A SINGLE forum for negotiating pay and rewards for executives and all groups of workers should be created in each company, Mr Michael Meacher, Labour's employment spokesman, urged yesterday.

He told a conference of the West Midlands Regional Labour Party that, to secure a more equal distribution of rewards, the present separate mechanisms of collective bargaining for manual workers, private negotiations for white-collar workers and personal contracts for top executives should be ended. Instead, there should be a single forum where pay increases for all staff could be jointly agreed.

Mr Meacher produced a series of proposals which he wants to see emerge from the party policy review in order to tackle Britain's deepening class divide.

He also suggested that Labour should reinforce its backing for the principle of a national minimum wage by naming an actual target figure, perhaps around the £100-a-week mark currently, to be introduced gradually over three years.

Labour should, he said, not only commit itself to a crash programme of 1m jobs in two years, but also to a continuing push towards full employment.



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APPOINTMENTS

Shell company secretary

THE "SHELL" TRANSPORT AND TRADING COMPANY has appointed Mr V.A. Wadham as company secretary from June 1, when Mr D.W. Chesterman *retires. Mr Wadham is a senior* legal adviser in the legal co-ordination of Shell International Petroleum Co.

★

Mr Martin Hayman will be joining STANDARD CHARTERED on May 9 as a general manager with responsibility for group legal and secretarial affairs. He will be appointed company secretary and *will succeed Mr Peter Spooner* who is retiring. Mr Hayman is company secretary and head of the legal department at Cadbury Schweppes.

★

FORMWOOD has appointed Mr Richard Wilson as financial director. He was a manager with Arthur Andersen & Co.

★

Mr Maurice Grass, managing director of Daniel Illingworth & Sons, has been appointed deputy chairman of the ILLINGWORTH, MORRIS GROUP. Mr Ronnie Lamb has been appointed managing director of Crombie fabric division, Aberdeen.

★

Mr Derek Croucher has been appointed a director of executive leasing specialist GMS CONSULTANCY.

★

STATE BANK OF INDIA, London, has appointed Mr John D. Matthews as treasury manager. He was with Kleinwort Benson.

LAWSON MARDON GROUP has appointed the following as planning and business development managers: Mr David C. Johnson, in the folding carton division, Europe - he was managing director of Aston & Full, which has been divested; Mr Alan Cowey, in the rigid plastics & metals division, Europe - he joined the group from Kepner Tregoe Consultants; and Mr Stephen M. Grant, in flexible packaging division, Europe - he was solicitor and company secretary in the group's European office.

★

Mr Paul Wynne has been appointed company secretary of ISOTRON. He was financial controller.

★

MANUFACTURERS HANOVER TRUST has appointed Mr Richard Benson, previously vice president of E.F. Hutton's capital markets operation, as manager of the global securities unit; and Mr Bill Lawes, previously a divisional director with ANZ in London, assumes general management responsibilities in corporate lending marketing and administration.

★

Following the *acquisition* by Williams Holdings of Cuprinol's parent company, Berger, Jenson & Nicolson, Cuprinol will operate as a separate business entity in Williams Holdings special operations division. Mr Philip Medcalf has been appointed managing director of CUPRINOL, and Mr Doug Keep, formerly of Berger Decorative Paints, becomes *commercial* director. Mr Austin Hilditch is confirmed as technical director.

★

Mr John Lutterloch has joined OVERSEAS TRADE CORPORATION GROUP to take charge of its leasing subsidiaries, O.T.C. Leasing Group, and O.T.C. Industrial Finance Corporation. He was managing director, asset finance division, Baltic.

★

Mr Tony Stattersfield, international marketing and sales manager of PACIFIC SCIENTIFIC's advanced technology group, has additionally been appointed the group's managing director. Mr Robin Squires has joined the group as European sales manager, and Mr Mike Diprose joins as international product support manager. The group, part of US company Pacific Scientific, is based at Bourne End, Bucks.

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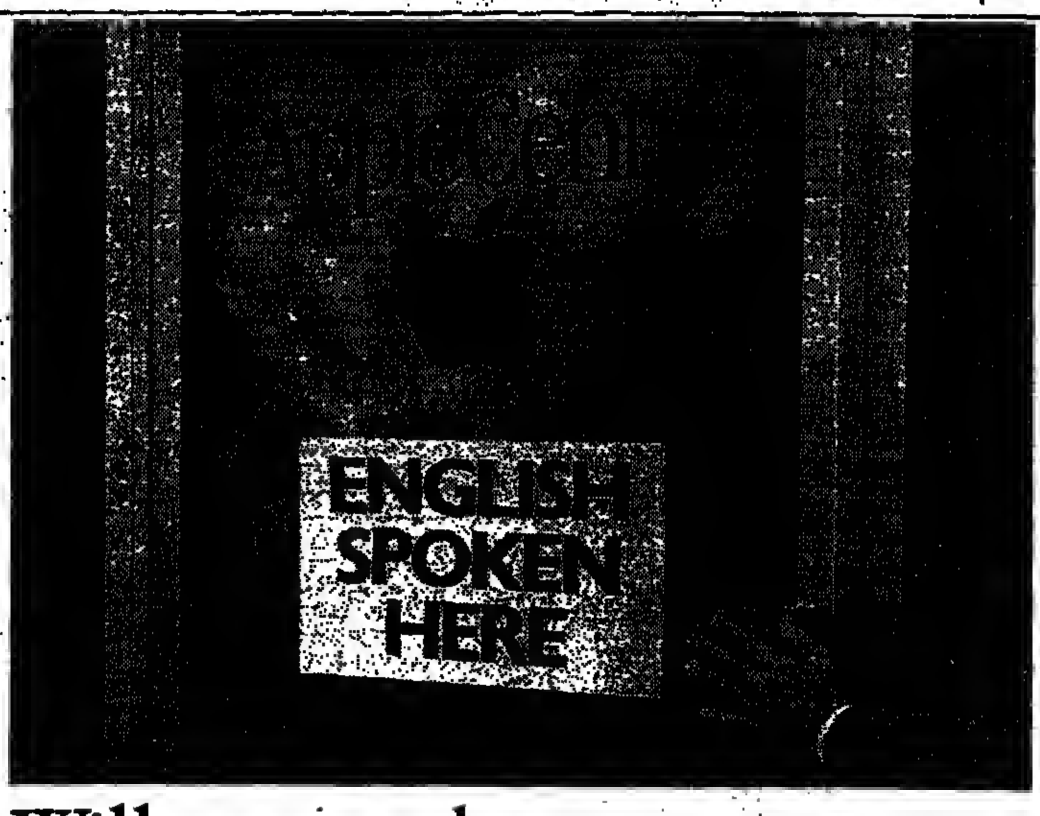

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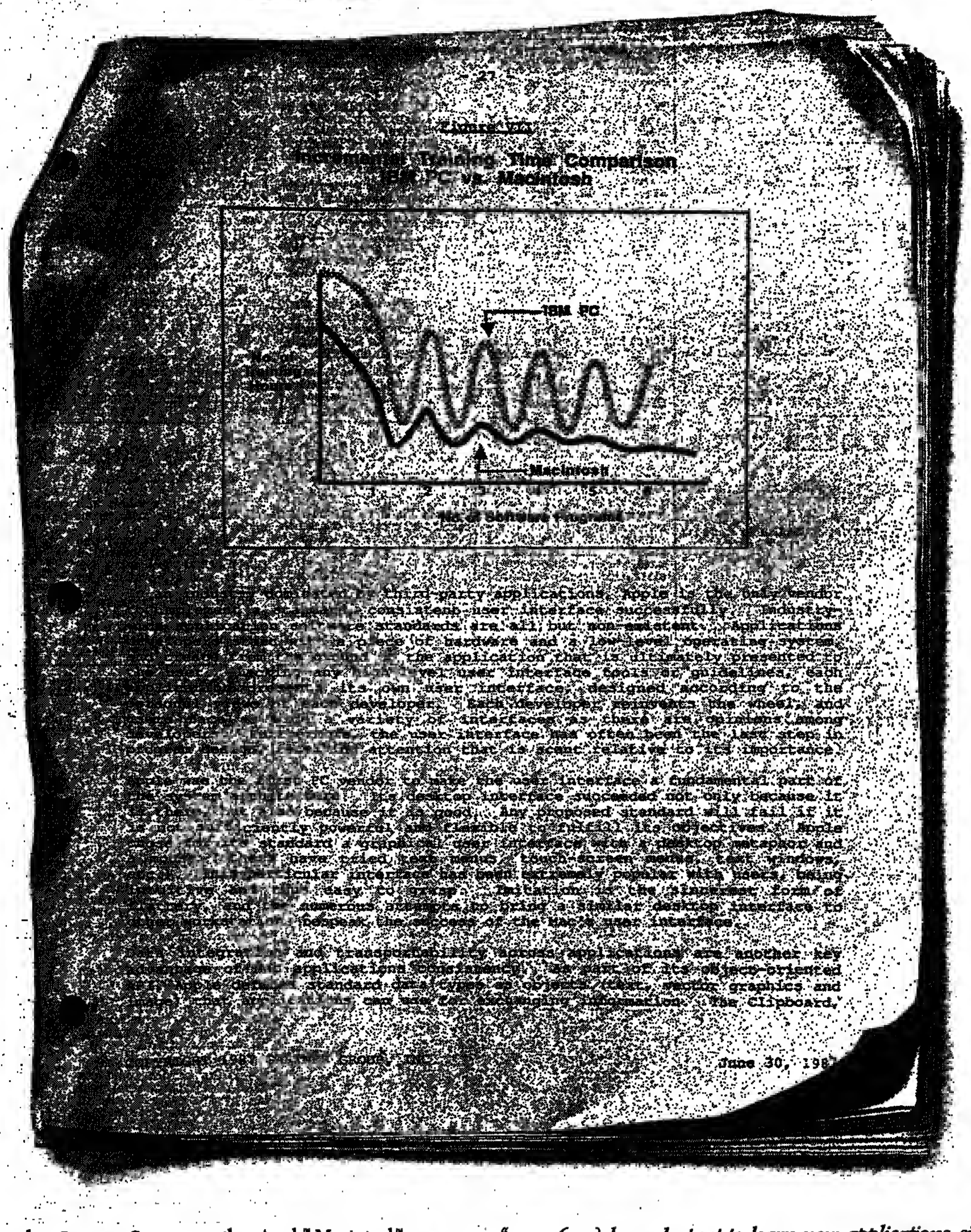
Another great report on the Apple Macintosh.



This independent survey by the Gartner Group on the Apple® Macintosh™ range of computers obviously makes very good reading. The Gartner Group is an organisation as well-respected in computer circles as Apple DeskTop Publishing is in the business world.

If you've never used a Macintosh you may find this report quite startling.

You may even be surprised to hear that corporations all over the world are already finding the Apple Macintosh invaluable for managing and processing information, producing reports and, of course, connecting to their existing computer systems.

The Gartner Group found that the Macintosh was favoured by business because of its intuitive graphics interface, which means real ease of use. It also has a consistent software environment, so that once you've learnt one program you know the principle of using them all.

"All studies of Macintosh use of which we are aware have found that new Mac users require less initial training, less subsequent training on new applications, and less ongoing support than IBM PC users." (GARTNER GROUP, INC.)

That's quite an advantage when you consider that training costs often exceed the initial cost of hardware.

"Since the Mac's ease of use leads to less training and support requirements, companies using it should realise enormous cost savings." (GARTNER GROUP, INC.)

The Macintosh's ease of use was actually found to promote greater use too, because *"users (are) less reluctant to learn new applications, since the benefits are more quickly acquired."* (GARTNER GROUP, INC.)

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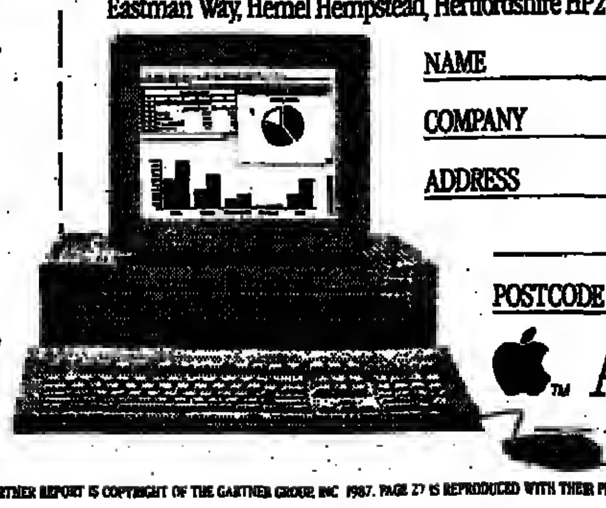

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Merchant banks unhappy over disclosure proposals

BY DAVID LASCELLES, BANKING EDITOR

UK MERCHANT banks are objecting to international banking proposals which could oblige them to speed up disclosure of information about their inner reserves.

The proposals are contained in the consultative paper on bank capital put out by the Basle Committee of international bank regulators in December. British banks have to submit their comments to the Bank of England by the end of this month.

The British Bankers Association, which is preparing the response, has already sent a preliminary comment to the Bank, and expects to present its formal report in the next few days.

The Basle proposals say that banks may not include undisclosed reserves in their calculations of core capital, which constitutes the foundation of their balance sheet. These reserves may be included in second-tier capital with the approval of bank regulators.

However, this is of limited value to the banks because the amount of capital in this tier is dictated by the size of a bank's core capital. In order to make full use of their inner reserves, some merchant banks might therefore have to disclose them.

Many UK merchant banks take advantage of the exemption in the 1985 Companies Act which allows them to transfer an undisclosed portion of their profits into inner reserves each year.

Although they have frequently said in the past that they would move to greater disclosure, the intense pressure on profits caused by Big Bang and last year's market crash has made them more rather than less secretive.

The merchant banks accept that they will have to disclose their inner reserves eventually, but they would like to be able to choose the timing. They argue that the Companies Act would have to be amended to make it consistent with the Basle rules.

UK banks also intend to object to a proposal to exclude revaluation reserves from core capital as well. These reserves arise when banks periodically revalue their securities portfolios or their premises, creating profits which are usually transferred straight into capital.

It seems unlikely, though, that the UK banks' objections will make much difference to the Basle proposals, which result from an international initiative in which the Bank of England plays a leading role.

Banking supervisors from all the top banking nations are collecting responses from their banks. These will be collated at the next Basle meeting at the end of April, and final proposals will be made for approval in midsummer.

The new regime, which is intended to create a common framework for international banks, is due for full implementation by the end of 1992.

FT considers Spanish stake

BY RAYMOND SNODDY

THE FINANCIAL TIMES is considering taking a substantial minority stake in Cienco Dias, the Spanish financial and business daily newspaper.

The FT, part of Pearson, the publishing, banking and oil service group, has been approached and offered a 45 per cent stake in the Madrid-based newspaper.

The potential deal is under financial appraisal. In theory it fits well with the recently-developed international expansion strategy for the FT.

The double strategy envisages simultaneously:

● Buying strategic stakes in business newspapers in many parts of the world.

● Trying to expand circulation of the FT itself through delivering the paper by satellite to overseas printing-sites.

An FT working-party has been established to examine the feasibility of printing the FT in the Far East.

The FT has a 25 per cent stake in the Financial Post, Canada's new, national-business daily, and has agreed to pay £88m to acquire Les Echos, the French financial daily.

Pearson recently asked the European Commission to investigate French Government attempts to delay sale on grounds that Pearson's ownership had not been "durably established" as being within the European Community.

This has been taken as a reference to Mr Rupert Murdoch's 20.5 per cent stake in Pearson.

'Few complaints followed bus shake-up'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE DEREGULATION of the bus industry led to relatively few complaints from the public, according to the annual report of the Traffic Commissioners.

The commissioners are appointed by the Transport Secretary to supervise registration of services and licensing of operators in nine traffic areas.

Their report for the year to March 1987 includes the first five months following deregulation, on October 26 1986, when 50 years of local authority route licensing ended.

The commissioner for the north-east says many problems were "no more than initial teething troubles caused by lack of familiarity with new timetables and changed route numbers."

The western area commissioner says only 13 letters of complaint have been received since deregulation, mostly from operators commenting on services offered by other companies.

However, several commissioners draw attention to problems caused by increased competition, which has led to reports of "bus wars" in some areas.

The south-eastern commissioner says: "In one or two cases this competitiveness has given rise to practices that are certainly unfair, and in one or two cases, verge on dangerous."

Rush for high-tech research funding

By Terry Dodsworth

A LARGE number of British companies and universities are likely to be disappointed in their applications for European high technology research funding under the second stage of the European Community-backed Esprit Project due to be launched early next month.

Almost half of the 1,500 submissions received for specific research subjects in the Ecu 3.2bn (£2.14bn) Esprit II involve a British company or research institution. This interest results from the run-down of national funding for high technology research under Britain's Alvey project.

According to EC officials, a significant number of these proposals will be turned down.

The number of UK applications will be welcomed by the British Government, which has been anxious to encourage companies and universities to collaborate more with other European organisations.

One of the main successes of the original Esprit programme, which involved about 200 projects, was felt to be the way in which it brought companies together from all over the European Community in pre-competitive research. The new project is expected to be twice the size of the original programme.

At the same time, however, there is considerable criticism of the British Government for its lack of an ambitious high-tech research effort.

Mr Nigel Horne, the director in charge of technology at STC, the UK electronics group, said: "We would have greatly preferred to have had a UK initiative that concentrated on some national strengths."

British companies feel that in the longer term the Government may make more funds available outside the Alvey programme for carefully selected projects.

Programmes which make it easier for small and medium-sized companies to use microelectronic techniques are attracting particular interest, while some national effort in semiconductor research is regarded as a pre-condition for worthwhile collaboration in many Europe-wide schemes.

Liffe to test automated trading system

BY BARRY RILEY

A BREAKTHROUGH in the development of automated trading systems for the futures markets is being claimed by Liffe, the London International Financial Futures Exchange.

Liffe has developed APT (automated pit trading) and is planning to apply it experimentally to one of its medium-volume contracts later this year.

Mr Brian Williamson, the exchange's chairman, said: "We are convinced we are a long way ahead of everyone else. It is very, very fast indeed."

APT is said to be different from the screen-based matching systems in use elsewhere. It will retain use of the trading floor and seek to emulate the features of pit trading. However, it is said to make the life of a local, or pit trader, much easier.

Mr Williamson declined to give details of the still secret APT system, developed during the past year by the exchange's own staff, but described it as "going with the grain of open outcry, but making it go faster."

Later, electronic links could be set up with other European exchanges.

The continuing need for a trading floor is causing Liffe to reassess its requirements because its existing premises at the Royal Exchange are likely to be redeveloped in a few years' time.

One possibility is a move to the Stock Exchange trading floor, now largely unused apart from the area occupied by the London Traded Options Market which is part of the International Stock Exchange.

Liffe and London Options have been discussing the possibility of some integration of the two markets and have now agreed to move towards development of joint systems and compatible products. This would result in an effective merger of the markets from the user's point of view.

A complete merger is unlikely, however, because Liffe is unwilling to move within the umbrella of the International Stock Exchange.

Such a takeover, it is feared, would impose an unacceptable level of overheads on Liffe and would interfere with Liffe's informal relationships with many other markets.

Mr Williamson insisted that Liffe had several options other than a move to the Stock Exchange trading floor.

He said it could stay at the Royal Exchange in spite of the redevelopment. "There is a lot more room in the Royal Exchange than people think." Offices and computers could be moved out to create more trading space, he said.

Liffe was also looking at the possibility of moving to another building being developed over the railway lines at Cannon Street station.

Call for action on defence costs

BY LYNTON McLAIN

CONCERN over poor value for money from the £9bn spent annually on defence procurement has led to recommendations for changes in procurement practice.

About £3bn to £4bn may be associated with costs which were "not foreseen," according to a confidential report by Ministry of Defence officials and the Prime Minister's efficiency unit.

The report was written in the wake of the cancellation by the Government of the Nimrod early warning radar aircraft. The cancellation, it says, "acted as a catalyst" for talks between the MoD and the Prime Minister's adviser on efficiency and effectiveness, Sir Robin Ibbs.

It was agreed that the "short, sharp shock" approach of the efficiency scrutiny should be applied to arrangements for managing major projects in the MoD.

Parts of the report, called "Learning from Experience, on arrangements for managing major projects in the MoD," have been discussed in public by the Commons public accounts committee, although it is marked "management in confidence" and the MoD has refused formally to publish it.

The MoD "makes decisions on major projects without enough hard technical evidence and makes assumptions about technical difficulty and then plans for success," the report says. In future, full development of a project should rest on evidence, from demonstrations, that the equipment can achieve the required performance within budget.

The report recommends that the manager of a development "should have a clear charter of responsibility, authority and accountability and fewer layers between him and top management."

The authors of the report say a positive attitude to change is now apparent. "The first step is to recognise that effecting change is a major project in its own right and to appoint a senior manager for the task."

The authors looked at 14 MoD equipment projects and focused initially on the Marconi Sting Ray, the GKN Warrior and the British Aerospace Alarm air-launched anti-radar missiles.

"Our own studies have shown that, before they are finished, projects have typically increased in real cost by 68 per cent from their earliest estimates and by 29 per cent after full development started," the report says.

Some projects, such as the Royal Navy's Type 23 frigate, were conceived with a ceiling on their cost as part of the requirement. "This approach does not in itself encourage greater technical realism; it simply gives precedence to cost over operational requirement."

The Type 23 frigate design had to be changed radically to make it into a warship with enough weapons and capability for its anti-submarine task. The cost more than doubled as a result.

Investment trusts win concessions

By Eric Short

THE ASSOCIATION of Investment Trust Companies has secured certain concessions from the Securities and Investments Board and the Investment Management Regulatory Organisation (Imro) over the marketing of regular savings investment trust schemes.

Investment trust groups will be able to promote such savings schemes at least until July 1, instead of having to cease promotion when the financial services legislation becomes operative next month.

Authorisation of investment trusts under the Financial Services Act comes under Imro. The rule book published by Imro proposed a ban on the promotion of savings schemes by investment trust groups under the marketing rules.

Sir Gordon Borrie, Director General of Fair Trading, in reviewing Imro's rule book, pointed out that this rule would put investment trusts at a marketing disadvantage with unit trusts.

Unit trusts are controlled by the Life Assurance and Unit Trust Regulatory Organisation and the rules have extended the permitted marketing methods, putting them on a par with life contracts.

Sir Gordon Borrie considered this state of affairs to be unsatisfactory and the Association of Investment Trust Companies urged the SIB and Imro to at least take note of these conclusions.

Yesterday, the SIB announced that in the light of Sir Gordon Borrie's remarks and the representations made by the association, it would defer until July 1 1988 the application of the relevant marketing restrictions to Investment Trust Savings Schemes.

The SIB confirmed that, until then, these schemes could be promoted in the same way and to the same extent as is presently allowed.

Second, the SIB confirmed that the relevant rules would be reviewed in the light of comments made and decide whether any amendments should be made in the rules which would apply from July 1.

Executives at Olives Paper Mills resign

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

TWO EXECUTIVES of Olives Paper Mills have resigned six months after control of the Lancashire company passed to Mr Michael Kent, a property developer.

No explanations were given for the immediate departures of Mr Barry Common, managing director, and Mr Kenneth Shore, finance director.

However, it is understood Mr Kent's requests for their resignation came out of the blue with criticisms of their management style.

Mr Kent, the chairman who gained control after offering a £3.74m capital injection last September, was not available for comment.

Olives Paper's management and unions had favoured his proposals over an alternative and apparently more advantageous offer of £5m from Mellon Medes, a private company run by Mr Naim Puri.

It is understood managers backed the Kent plan because of uncertainties over their future with Mr Puri in charge. A banker associated with the company said the resignations were in keeping with changes in Olives Paper.

The company is the oldest independent papermaker in Britain.

Many drugs have cheaper alternatives, says study

BY PETER MARSH

MORE THAN a third of a sample of 110 branded drugs used widely in Britain have generic substitutes which sell for less than half the price, according to a study.

Thomas Kerfoot, a maker of generic medications, based in Ashton-under-Lyne, Greater Manchester, produced the study to support its argument that the National Health Service should use more generic drugs, which contain the same chemicals as equivalent branded products and are usually much cheaper.

The company's list is based on 110 branded drugs for which generic substitutes are available. Many top selling drugs are not included, as they are protected by patents and cannot be made by generic manufacturers.

According to Thomas Kerfoot, the health service could cut £100m from its £2bn annual drugs bill by increasing its use of generic pharmaceuticals. At present about £150m out of the bill is accounted for by generic rather than branded products.

The Department of Health and Social Security last week said it was considering trying to increase its use of generic drugs.

The Thomas Kerfoot report found that, in 41 cases out of the 110, the generic product cost half the price of the branded version.

Of the 110 branded products, 91 had cheaper generic substitutes. In 12 cases the prices were the same and in seven instances the generic product cost more than the branded version.

The biggest gap was in the case of Valium, a tranquilliser made by Hoffman-La Roche of Switzerland, which sells for 15 times as much as generic versions.

Producers of branded drugs generally argue that price comparisons are simplistic. They say a branded formulation often performs better clinically, even when two products have the same chemical formula.

● The health of poor people may be being put at risk by increases in prescription charges, according to a study in the magazine New Society.

The study, by health economists Mr Stephen Birch and Ms Mandy Ryan, says nine increases in charges since 1979 have led to a big drop in take-up of medications among those who have to pay the full cost of prescriptions.

Urban venture to rebuild estate in Derbyshire

By Richard Tomkins, Midlands Correspondent

PROBE, an urban regeneration venture set up by two building societies and a construction company, has started work on its first project – the demolition and reconstruction of an entire housing estate in the Derbyshire village of Creswell.

It has joined with Bolsover District Council in a £9m scheme to replace 240 former Coal Board houses on the rundown Calverly estate with 260 new dwellings, some of them for sale and others for rent.

Probe – an acronym for Partnership Renewal of the Built Environment – is a joint venture between Y.J. Lovell, the housebuilding and construction group, and the Halifax and Nationwide Anglia building societies.

It was set up at the end of 1985 with the aim of spurring commercially viable regeneration projects in urban areas.

Eight other large-scale projects are also in the pipeline, mainly in the north of England and the Midlands.

Housing starts up 34%

BY KEVIN BROWN

PRIVATE HOUSING starts in Britain totalled 36,800 in January and February, an increase of 34 per cent on the same period last year, according to the latest figures published by the National House-Building Council.

The council said private housing completions in the period totalled 32,611, an increase of 20 per cent over the January-February period last year.

Mr Basil Dean, director general, said the high level of starts was "most encouraging," although no doubt the figures were due in part to the abnormally mild weather conditions.

Shopping centres win awards

BY WILLIAM COCHRANE IN GENEVA

BRITAIN virtually swept the board in Geneva yesterday, where the International Council of Shopping Centres announced its 1988 awards for the best in development, leasing, design and management of European retail property.

Awards went to The Pavilions, Birmingham, in the category for large centres, and to Old Square, Walsall, for refurbishment. Certificates of merit were awarded to The Lion and Lamb Yard in Farnham, Surrey, and Victoria Place in central London.

Architect Michael Haskoll, chairman of the ICSC awards committee, told delegates to the council's 13th annual European conference that The Pavilions achieved two prime shopping levels by using a natural fall in the street frontage.

Sibec Developments had already won the equivalent British award for Old Square, Walsall, from the British Council of Shopping Centres.

Mr Haskoll said the jury was particularly impressed by the quality of the result. The Lion and Lamb, developed by Arundell House Securities, was an example to the shopping centre industry. The Lion and Lamb also won an award from the British council.

Heron Property, the developer of Victoria Place, was chosen for sponsoring privately a high-quality centre in a public transportation terminus."

The British success partly reflects the intensity of British shopping development last year. Of the 21 contenders, 13 were British centres.

Continental developers were consoled by the award for a small centre which went to MAB of the Netherlands for La Vie in Utrecht, a 94,000 sq ft centre combining a Bijenkorf department store with several small speciality units.

The French developer, Cenco, was given a certificate of merit for a commercial centre at Quincysous-Sénart for "expanding, updating and changing the trading concept of an existing hypermarket and shopping gallery."

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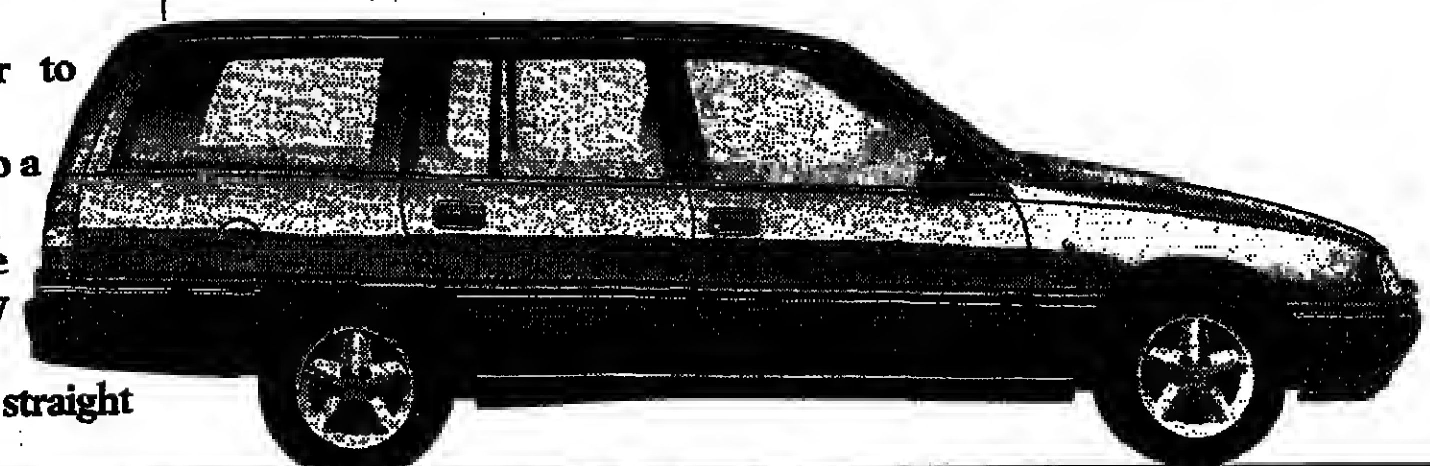

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WÄRTSILÄ

Oy Wartsila Ab's shareholders are summoned to the Annual General Meeting of shareholders which will be held at 4.00pm on Monday, 11 April 1988, in Helsinki, at Finlandia Hall, address: Karamzininkatu 4

The General Meeting will deal with the following matters:

1) Matters to be dealt by the General Meeting according to Article 16 of the Company's Articles of Association.

2) A proposal to authorise the Board of Directors for a period of one year as of this General Meeting either

a) to decide on increasing the issued share capital by a new issue in one or several instalments of a maximum of FIM 144,000,000 by offering a maximum of 2,400,000 new restricted and/or free series I shares, or restricted and/or free series II shares of FIM 60 nominal value each, for subscription at a price determined by the Board of Directors and with such subscription terms and conditions as decided by the Board of Directors; or

b) to decide on the issuance of debt instruments convertible into shares or debt carrying warrants to subscribe for shares, in one or several instalments, with the condition that holders shall have the right to convert the debt either entirely or partly into shares of the Company or to subscribe for new shares; and to decide on all the terms and conditions of the debts and the related share subscriptions. The total aggregate nominal value of the shares that can be converted for debt or subscribed for on the basis of warrants may not exceed the total maximum of FIM 144,000,000.

The proposed authorization shall also include the right to disapply the share holders' pre-emptive rights.

In a possible new issue of shares or equity securities offered to nominated participant(s) without regard to the shareholders' pre-emptive rights, the pricing of the issue shall be based on markets conditions. The financing to be raised is intended to further strengthen the Group's financial standing and its expansion and to allow for alternatives in the financing of important investments, including acquisitions.

Documents concerning the financial statements and the Board of Director's proposals for the decisions mentioned in point 2 are available for the shareholders' review at the company's head office during one week's time prior to the General Meeting. The Company's Annual Report for 1987 will be available for distribution as of 31 March 1988, in Helsinki, at the Company's head office, address John Stenbergin ranta 2, and at the Arabia shops, Pohjoisesplanadi 25 and Mannerheimintie 20. At request, the Annual Report will be sent to shareholders by mail.

A shareholder who wishes to participate in the General Meeting of shareholders must register no later than 4.00pm on 7 April 1988, either in writing to Oy Wartsila Ab, PO Box 230, 00101 Helsinki, or by telephone, Helsinki 7095 338. In order to be entitled to use the shareholder's right to vote at the General Meeting by proxy, a respective power-of-attorney shall be delivered to the Company before the end of the aforesaid registration period.

Helsinki, 9 March 1988

Board of Directors

Acumen and aggression make Mr Campeau's name

BY DAVID OWEN IN TORONTO

THE SPIRALLING bitter battle for Federated Department Stores, the US department store and supermarkets group, is an iconoclast of the first order – Mr Robert Campeau, 63, chairman and guiding light of the eponymous Canadian property company.

Mr Campeau's much-vaunted acumen and aggression have carried him from the shop floor at metals group Inco – in his native Sudbury – to the threshhold of the largest US department store chain's boardroom.

Campeau's US$6.02bn bid for Federated, and a rival bid by R.H. Macy, is embroiled in litigation. On the success of the Campeau bid depends an agreement to sell the preppie Brooks Brothers clothing retailer to Marks & Spencer of the UK for $770m.

Starting in 1949, when Mr Campeau sold a house built for him by a cousin, Antonio, for a profit of C$2,300, the "Ottawa builder" laboured for 30 years to assemble one of Canada's largest development and property groups.

While he fast became a local celebrity for his low-cost housing schemes and assiduously-cultivated political connections, it was not until August 1980 that Mr Campeau became big news.

His C$413m bid for control of Royal Trustco (then Canada's largest trust company) was initially viewed as preposterous by Toronto's financial establishment. After all, the combative Francophone's corporation had assets of only C$866m at the time, against C$7bn for Royal Trustco. But the bid was ultimately thwarted only when a series of white knights teamed up to buy a majority of Royal Trustco stock.

Robert Campeau: shop floor to top storey

The experience gleaned in this bitter two-month struggle stood Mr Campeau in good stead in Septemhar 1986 when he launched his equally daring raid on Allied Stores.

After another enthralling tussle, the New York-based department store chain became a wholly-owned subsidiary of Campeau with effect from the last day of 1986. The price was US$3.6bn.

Many analysts fully expected Campeau to come to grief beneath its mountainous C$8.5bn or so end-1986 debt load. But a successful securities issue, coupled with the judicious pruning both of newly-acquired Allied assets and its substantial existing property portfolio, enabled Campeau to reduce its burden with remarkable alacrity.

The company's current debt is widely estimated at a manageable C$5bn. Despite selling a full two-thirds of Allied's 24 former operating divisions, Campeau has contrived to keep units which in 1986 contributed 62 per cent of sales and 87 per cent of profits.

Most expect Campeau, further encouraged by the hefty price tag attached to Brooks Brothers, to attempt similar surgery on Federated's even more extensive assets, should it gain control.

Certainly, Mr Campeau, with his real estate expertise and recent intensive exposure to the market for US store chains, should make a capable surgeon.

Waiting in the wings for any mistakes, however, are Toronto's canny and increasingly prominent Reichmann Brothers. Under an agreement to provide Campeau with US$260m in equity to help finance the Federated bid, Olympia & York Developments, the Reichmanns' privately-held corporate vehicle, could boost its voting interest in the company to 27 per cent from about 11 per cent at present.

Japanese join trail of foreign takeovers

BY IAN RODGER IN TOKYO

JAPANESE COMPANIES are at last starting to take over foreign businesses. Friday's launch by Bridgestone, the leading tyre maker, of a $2.6bn takeover bid for Firestone Tire & Rubber, is only the latest and largest in a series of such large-scale operations undertaken in the past year or so.

- Last month, Bank of Tokyo agreed to buy Union Bank in California from Standard Chartered Bank of the UK for $750m.
- Last November, Sony bought the record division of CBS of the US for $2bn.
- Last August, Dainippon Ink and Chemicals made a successful $535m contested takeover bid for Reichhold Chemicals of the US.

Until recently, Japanese companies eschewad the takeover route when considering overseas expansions, preferring to launch greenfield ventures abroad or go into joint ventures.

This was because they were nervous about the problems they might encounter when taking over existing operations, including having to adapt to long established labour practices. However, in the past few months, the combination of the latest rise in the value of the yen against the dollar and the decline in the value of foreign equities has made the takeover route a much more attractive one for them.

"Now is an ideal time for these bids. Japanese companies are very rich and the prices for US companies are very low," says Mr Remi Caillaux, general manager of Paribas Capital Markets in Tokyo.

For many industrial companies, the latest rise in the yen's value last autumn added a note of urgency to the search for overseas assets. Until then, most companies were managing to overcome the impact of the high yen on the competitiveness of their Japanese factories. But once the yen became stronger than Y130 to the dollar, they seemed to recognise they could no longer put off overseas expansion.

In the case of Bridgestone, for example, the company is under strong pressure to increase its overseas production capacity. Because of the high yen, it is having increasing difficulty competing in both the home and overseas market with tyres made in Japan. As Japanese motor manufacturers are moving production overseas, Bridgestone feels it has to expand its production abroad too if it wishes to retain these key customers.

A similar case, on a smaller scale, emerged at the beginning of the month, when Showa Denko, a Japanese chemical company, announced the purchase of a carbon graphite plant in the US from BOC of the UK for $100m. Showa, which has been exporting a considerable portion of its Japanese carbon graphite output to the US, said it needed a US plant because it could no longer make profits on exports from Japan.

Sony's acquisition of CBS Records seems to be more opportunistic. The company has been looking for a new source of growth and, because of the exchange rate moves, was able to buy it at a fraction of the price that it would have paid a couple of years ago.

"Japanese companies are beginning to take a broader view of foreign acquisitions," says Mr Joe Walker of Morgan Guaranty Bank in Tokyo. "Previously, they would only buy something if it had technology that they could not get any other way. Now they will consider things for market reasons."

Analysts in Tokyo believe that the trend to foreign takeovers by Japanese companies will continue to gather momentum, but only at a gradual pace. This is a new field for them, and the Japanese always like to study new ideas carefully before adopting them, rather than make mistakes through over-hasty action.

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-	Ass. Brit. Ind. CULS	193	+3	10.0	5.2	-
750	Armitage and Rhodes	30	+1			
4554	BBB Design Group (USM)	55	0	2.1	3.7	8.8
105104	Bardon Group	158	0	2.7	1.7	27.0
7983	Bray Technologies	138	-3	4.7	3.4	11.0
910	CCL Group Ordinary	260	0	11.5	4.4	6.7
1638	CCL Group 11% Conv Pref	131	0	15.7	12.0	-
16813	Carborundum Ord	132	+2	5.4	4.1	11.5
707	Carborundum 7.5% Pref	101	0	10.3	10.2	-
3801	George Blair	206	+8	3.7	1.8	5.3
4859	Isis Group	61	-1	-	-	-
9582	Jackson Group	92	+2	3.4	3.7	10.2
26356	Multihouse N.V. (AmstSE)	338	-2	10.4	3.1	13.4
469	Robert Jenkins	46	-1	-	-	2.0
5580	Scruttons	124xas	0	5.5	4.4	31.8
5596	Torday & Carlisle	197	+1	6.6	3.4	9.6
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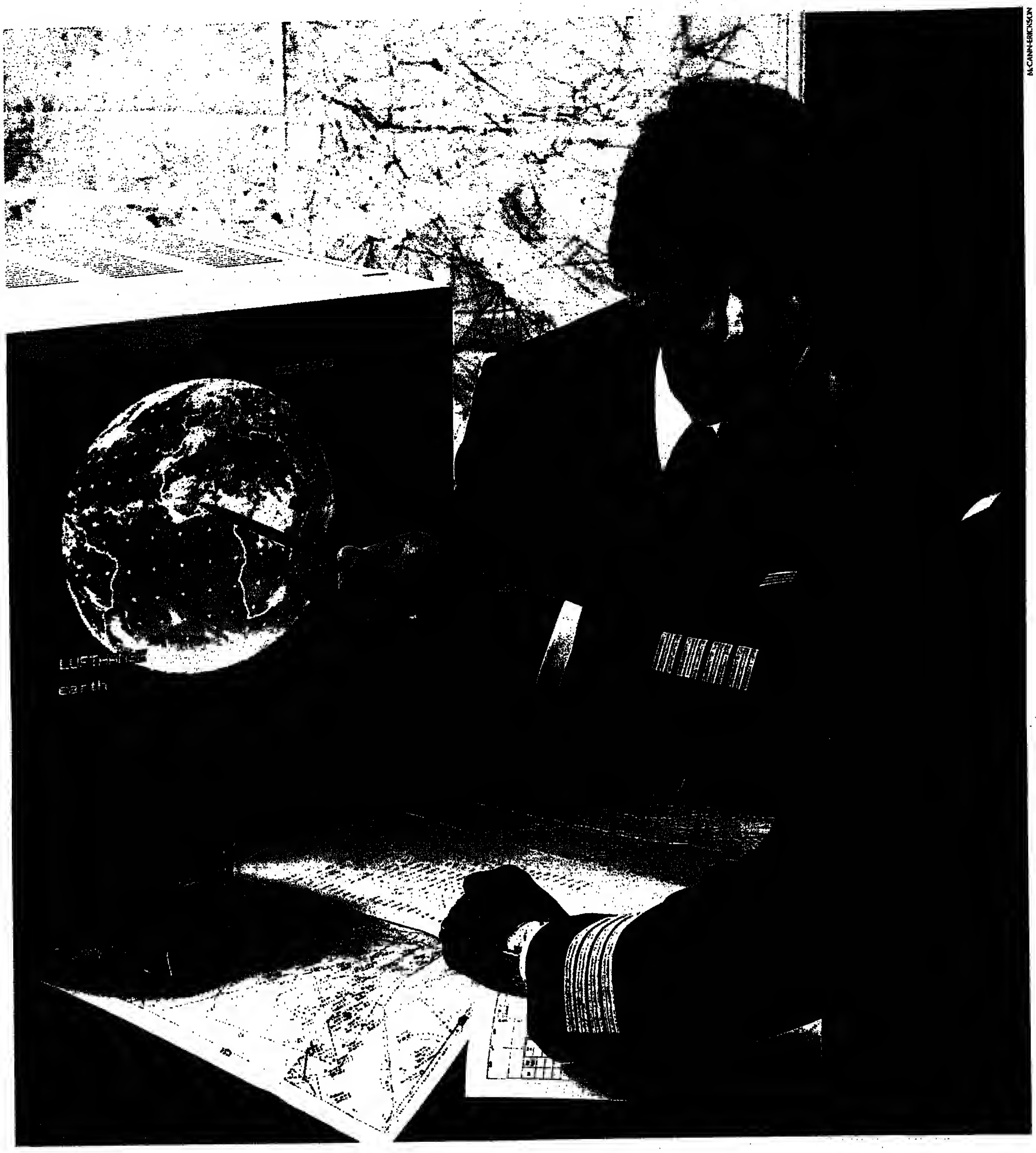

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THE MONDAY PAGE

ANTHONY HARRIS in Washington

Uncertain spring in Washington

WASHINGTON presents a confusing spectacle this spring. The politicians are circling an increasingly powerless President warily, like lesser beasts edging up to the carcass of a lion. They think he's dead, but they're not sure. The economy is rather like the weather, consistent only in making fools of the forecasters.

The dramas of Central America generate only the temporary excitement of a James Bond film, because everyone by now knows how the plot will end: both the Contras and General Noriega are beaten, and it is only a matter of waiting for them to admit it. At least the riots and the arranged parachute drops provide a distraction from the increasingly boring Iran-Contra affair, which has become a drama without heroes now that Colonel North comes over more and more like a petulant child.

At least the indictments fit neatly into the spring scene in one respect: this is the season of charitable giving, and the friends of the Colonel, of Mr Lyn Nofziger, and of the other more likeable among the accused in this and other scandals, are appealing for contributions for their defence. They are mainly doing this privately, because all the noise is made by worthier causes – public broadcasting, famine relief, child welfare and even (*sotto voce*) broadcast evangelism.

These appeals can catch a large audience because most Americans are spending their evenings at home at the moment trying to fill in their tax forms, and social life is more than half dead. Tax reform has made the job much harder than usual this year – even the Internal Revenue Service officials who man the telephones are getting nearly half the answers wrong.

All the same, one point has been cleared up: gifts are still deductible, provided they are itemised. It is also still true that nearly all taxpayers can expect a big rebate, and that is the target for charity. British charities might do well to follow this fiscal example; the rich have never had so much to give. (Deductibility at 40 per cent is also appealing, since the Government can be made to contribute to causes which get cut down in the public spending White Paper.) The responses appear to be generous; this is an attractive face of Reaganomics.

A more characteristic glimpse is offered in a book shortly to be published, which describes Mr Reagan presiding at a Cabinet discussion of the Japanese technological threat: "His head was down on his chest, and he appeared to be asleep." The witness is Mr Clyde Prestowitz, who was the US trade negotiator with Japan (he actually speaks the language) until he resigned in an understandable huff in 1986.

Mr Prestowitz, to judge by the brief extracts which have so far been leaked, is a mercantilist rather than a protectionist. Perhaps inadvertently, he makes it clear that the Administration is much more genuinely devoted to free trade than some of its actions might suggest. Mr Prestowitz did not approve of this position.

For example, he wanted not just to break down barriers to US exports, in which he had full support, but to bargain for specific market shares and trade volumes. This, he found, would violate what he calls "free trade doctrine"(which of course it does). He discusses trade in terms of "conquest" and dismisses rival views as "highly theoretical".

While it is good to know that the Administration has lived up to its rhetoric, at least in internal arguments, nobody would now build much hope on this fact alone; the Administration can no longer defend its doctrinal corner very effectively. Mr Prestowitz clearly believes that his memoirs are timed for maximum embarrassment, and will help the cause of a more aggressive trade stance in Congress, which is now trying to get seriously to grips with the monstrous Omnibus Trade Bill.

There are two or three solid-looking reasons for hoping that Mr Prestowitz will fail, though none of them are entirely reliable. The most important politically is the apparent failure of Republican Richard Gephardt's attempt to play the trade card in the primaries. Even his trade union backers seem to have given up any hope for him, and unless he makes a spectacular comeback (Michigan might offer his best hope), there will be little general excitement about trade.

The nature of the Omnibus Trade Bill should also prove a strong anaesthetic. It is a huge candelabra of a measure, and its various details are being considered by no less than 17 Congressional committees. Virtually nobody has a grasp of the whole thing, and some people have not even tried. One senior consultant was quite put out by the Gephardt flop on Super Tuesday. "I'd been relying on a veto," he told me. "Now I'm going to have to try to read the thing."

Finally, US manufacturers are beginning to rediscover their interest in free trade. In the struggle to fulfil record orders, *especially for exports*, they are increasingly angry to find themselves hampered by shortages of goods which have been protected by quota restrictions or voluntary restraints in recent years, from memory chips to aluminium and special steels.

As a result, their representatives have been willing to take on the protectionists in public debate on the issue which is now heading for some important votes: the ratification of the US-Canadian Free Trade Area. This is hardly a hot topic with the *public; the debate in question* was broadcast at 6.30 am.

It is occupying some rather depressing Congression time, in which Cabinet members, headed by the Secretary of the Treasury, have to respond to detailed questions about such matters as plywood specifications and rival subsidies for the production of lead, but it will probably be ratified without any very important *changes: it looks like the beginning* of a trade strategy to counter the consolidation of the EEC, which is attracting a good deal of attention here, and it promises energy security.

Above all, Congress wants to wrap up its unfinished business, which after all includes the Budget, and go out campaigning; and the national neurosis about trade has abated for the moment, though a bad set of trade figures could revive it. There is also a card which has not yet been played: burden-sharing.

Although Professor James Kennedy no longer appears on every other chat show to explain his theory of the decline of economic empires, his book on the subject has changed the way many people think. His thesis is that dominant powers take on military commitments which hamper the economies which support them; it is now fashionable to point out that the US trade deficit neatly matches a carefully chosen measure of the US contribution to the defence of other countries. *The idea that* allies should pay for their own umbrellas used to be the one-man obsession of Senator *Sam Nunn; now it is* no longer even controversial. You have been warned.

INTERVIEW

Britain's single market man

William Dawkins talks to Lord Cockfield, Vice President of the European Commission

ANYBODY who does business on any scale in the European Community will be keeping a wary eye on a doughty, formidably hard-working septuagenarian in Brussels for the rest of this year.

He is Arthur, Lord Cockfield, Britain's senior EC Commissioner, responsible for trying to meld the Community into a free internal market by 1992, despite the reservations of some of the 12 member states – including his own. The aim is straightforward enough: scrapping national barriers will help European industries achieve the economies of scale they need to compete against their US and Japanese counterparts. "The whole purpose is to improve the competitive cutting edge of European firms . . . If you don't *believe* that your own companies can take full advantage of the opportunities which are being given to them, then you don't believe in economic progress," he explains. But the negotiations on how to achieve the single market have touched a host of national sensitivities. They will damage a good many more between now and December.

During that time Lord Cockfield plans to shower member states with an unprecedented number of market opening proposals – well over 60 – in an attempt to get 90 per cent of his 300-point internal market plan on the table by the turn of the year. According to his annual report on the progress of the 1992 campaign, unveiled last Thursday, they include far-reaching plans to open up public procurement in telecommunications, energy, water and transport; common rules for banks' solvency ratios, an EC wide corporate tax system and liberalisation of the life and motor insurance industries, among many others.

Lord Cockfield does not suffer fools gladly, indeed he has been known to make mincemeat of one or two visiting senior British Ministers, whom he accuses of having "obsessions" against his tax harmonisation plans. One minister, who shall remain nameless, was recently sent away with a flea in his ear for suggesting that Britain should be given special exemption to keep in place its present tough customs controls after the completion of the Channel Tunnel. Few people care to cross him either in formal meetings or on the Brussels social circuit, where Lord Cockfield's presence is supported by his formidable wife, Monica. And he aims to make an indelible mark on Europe by the time the Brussels executive disbands at the end of its four-year term in December, perhaps marking the summit – though anything is possible – of his extraordinarily long and varied career.

The simple target that Lord Cockfield and his increasingly exhausted staff want to reach by the time they hand over the reins to the next Commission at the end of 1988 – the exact half-way point in the internal market campaign – "is to reach the stage where the process of European integration is accepted as irreversible throughout the Community," he says. On the way to that apparently elusive destination, Lord Cockfield has several specific staging posts, most of which will bring him into conflict with member states anxious to protect their industries from too sudden competition from their Community cousins.

So far, the Commission has tabled 206 proposals from its 300-point programme, ranging from minutiae like common noise levels for lawnmowers to sweeping measures to ban restrictive practices in many areas of public procurement. Lord Cockfield's reason for trying to get almost all of the measures proposed by December is to leave his successor – the hotly-tipped candidate is Peter Sutherland, the Irish Competition Commissioner – more time to cajole agreement out of member states in their decision making body, the Council of Ministers, during the final four-year run-up to 1992.

The past year has seen a series of blistering attacks by Lord Cockfield on delays in the Council. It has so far adopted just 69 of the barrier-breaking measures before it, a performance which he condemns as "somewhat less satisfactory." Many of the remainder are entangled in wrangles over sensitive national interests. Typical points of contention include French fears about allowing foreign teachers into France, German unwillingness to expose its road haulage industry to free competition, Belgian and Italian unease over opening their insurance markets to foreign competition or British resistance to proposals to liberalise broadcasting. New rules for more majority voting in the Council might help to speed things up, though provisions for more consultation with the European Parliament are threatening to erode that gain by bringing in extra scope for delay. The effect of these longer procedures, a result of the constitutional changes brought in last year in the Single European Act, will be temporary, he believes. "It's like lengthening a pipeline. For a while you can go on putting things in at one end before they come out," he says.

In any event, Lord Cockfield believes the proposals he has scheduled for the rest of the year will give a clear idea of the shape, at least, of the Commission's idea of the internal market in several important sectors. They are:

● Industrial standards. Here the Commission plans to complete its series of so-called "new approach" proposals, whereby products conforming to basic safety and performance standards are guaranteed free circulation throughout the EC. This marks a radical change from the slow, cumbersome way of specifying standards for every last nut and bolt which the Community decided to abandon three years ago. The Council has already agreed such new rules for pressure vessels – the first test case – and toys and has yet to debate proposals to open up the market for a huge range of engineering machinery. A handful of other proposals, for items like gas appliances and electro-medical equipment will be put forward by the Commission in the next few months.

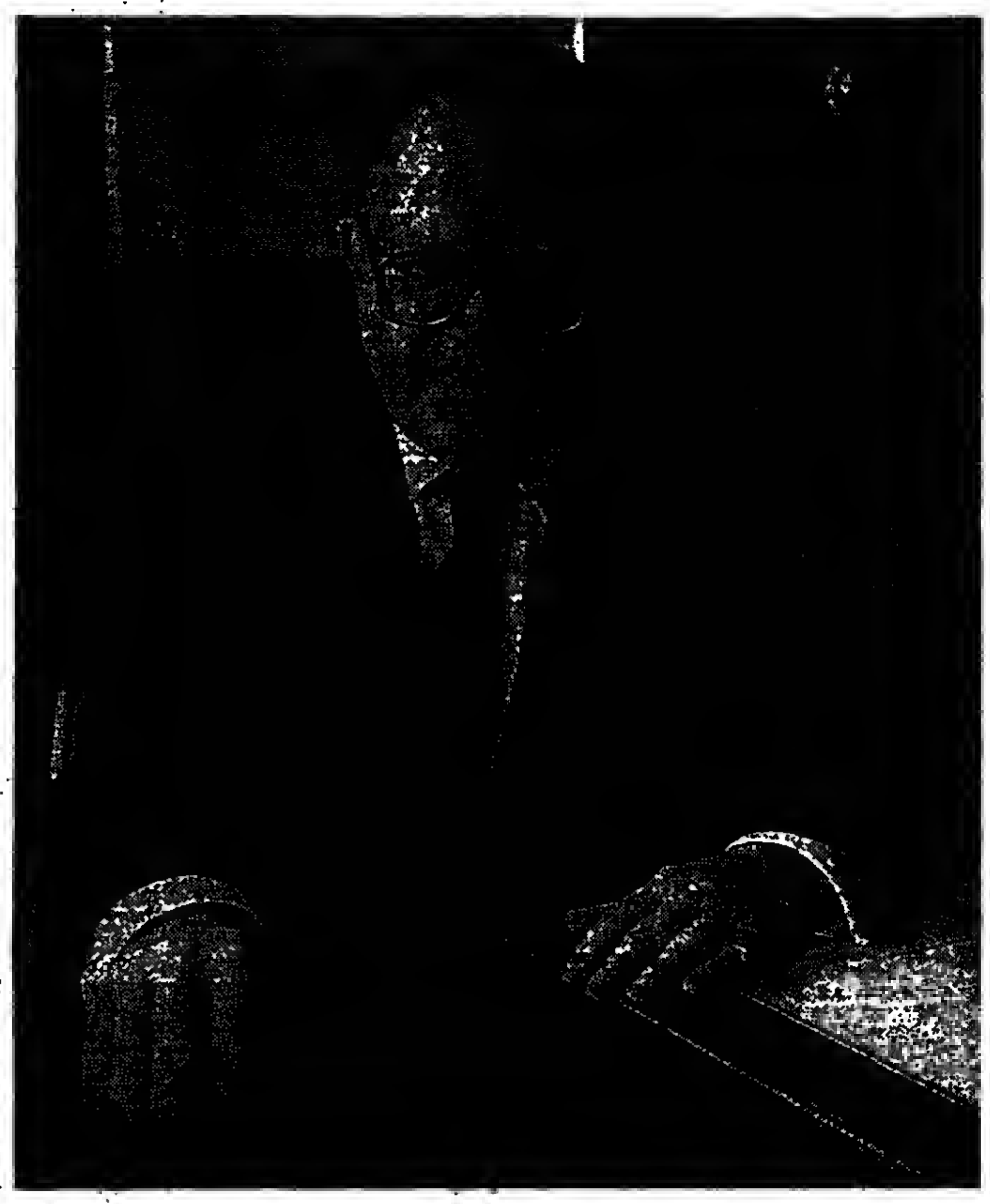
● Public procurement. Here member states are deliberating three proposals, to bring more open competition for public supplies and works contracts and to tighten up ways of enforcing fair competition. Lord Cockfield plans to cap these shortly with plans to extend fair public procurement rules to four sensitive sectors so far excluded; telecommunications, energy, water and transport.

● Financial services. Lord Cockfield hopes to get final agreement within months on liberalisation measures for the non-life market for big commercial risks already agreed in principle by member states. Also on the table are plans to dismantle barriers to international banking and separate laws on banks' capital base. Common rules on solvency ratios – the balance between capital and assets – are due to come forward soon.

● Professional qualifications. Proposals for the common recognition of most professional qualifications, ranging from teaching to accountancy, have been blocked in the Council for nearly three years, but Lord Cockfield insists they are now close to agreement.

● PERSONAL FILE

1916: Born 28 September
1942: Called to Bar, Inner Temple, London
1945: Appointed Assistant Secretary to Board of Inland Revenue
1951-52: Became Commissioner of Inland Revenue
1953-67: Joined Boots Pure Drug Co, first as finance director, then managing director and then chairman of executive management committee
1968-69: President of Royal Statistical Society
1970-73: Appointed as adviser on taxation policy to Chancellor of the Exchequer
1973-77: Chairman, Price Commission
1978: Life peer
1982-83: Secretary of State for Trade
1985: Vice President, European Commission



But will he really be able to deliver? Before he launched the internal market project soon after arriving in Brussels on January 1 1985, Lord Cockfield was criticised in many quarters as being a yes-man – and a bumbling one at that – for Mrs Margaret Thatcher, the British Prime Minister, and with no European interests. In the event, nothing could have proved further from the truth. The 71-year-old life peer has turned out to be a passionate defender of the idea of a European Community without frontiers and has fought his frequent battles against the UK Government – and others – with impressive integrity.

Few in Brussels now doubt his ability to honour the Commission's side of the 1992 bargain in terms of churning out legislation for the Council. Renowned as a workaholic, he professes to have time for no real interests outside the Commission, and commands fierce loyalty from his political and Commission services staff, even if some of them sometimes seem half dead with over-work.

While personal warmth is not Lord Cockfield's forte, officials say he rarely forgets to give praise where it is due. His speech may be ponderous and grinding, but it comes from a disciplined and logical mind, in striking contrast to some of his less intellectually endowed colleagues. Moreover, his former lives as a barrister, Inland Revenue Commissioner, Chairman of Boots and UK Trade Secretary, makes him a match for any bureaucrat, businessman or politician he is likely to meet. These same qualities make him one of the very few members of the Brussels executive who commands real respect from Mr Jacques Delors, the Commission President.

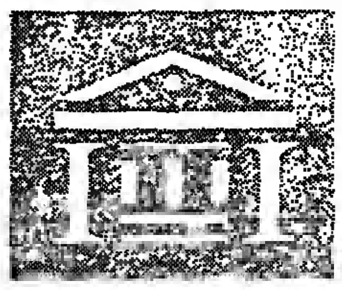
While he is occasionally a shrewd tactician in the Council, Lord Cockfield is not a born diplomat. He frequently amuses Ministers with irony and erudition and is equally at home quoting from Lewis Carroll and 17th century English case law. Yet his remorselessly logical approach does not help to patch together the often ad-hoc compromises necessary to wheedle agreements out of 12 member states during heated Council sessions. Nowhere has Lord Cockfield come under fiercer attack, particularly in Britain, than over his dogged devotion to the proposals to bring member states' different rates of indirect tax into line. And he shows no sign of surrendering his allegiance to that cause.

The aim of the much criticised VAT approximation package is to get rid of trade distortions caused by wide differences in sales tax and ultimately to remove the need for internal customs checks. This the UK Government sees as a dire threat to its fiscal sovereignty. Neither does it relish the political consequences of giving up zero rates on sensitive goods like food and childrens clothes. Worse still, London questions the very assumptions behind the idea. "A parochial situation," arising from the UK's geographic isolation, says Lord Cockfield dismissively. But the scheme has also worried Governments used to high VAT rates, like those of Denmark and Ireland, fearful of losing tax income.

He sees no logic either in the extent of their fears or in the sudden way in which they have been aroused. "You get a lot of people talking as if this Commission had somehow invented the idea of fiscal approximation, as though it had come newborn out of the head of Jove. It hadn't at all," he says. The idea of tax approximation was a basic building block in the formation of the EC 30 years ago, never fully put into practice in legislation. "Experience since then has shown there is no other answer," he says. Left to market forces and the influence of the ending of other market barriers, VAT rates would automatically fall into line, he accepts. Better surely, he argues, to control the process via an agreement between member states, rather than allowing a free-for-all after 1992.

But whatever battles lie ahead, Lord Cockfield appears impervious, perhaps because he is so obviously at home at the heart of the Brussels bureaucracy in a way that only a former UK Inland Revenue Commissioner could be. "The great attraction of this job is that it is a real opportunity to do something concrete. And you have just long enough in four years to do it," he says. The proof of that will come in December, when Lord Cockfield presents his report on the half-way stage of the 1992 campaign to the final European Summit of this Commission.

Paradox of the death sentence



JUSTINIAN

THE TEMPORARY reprieve from the gallows for the Sharpeville Six means that, after a week of international outrage, the case will sink back into the parochial obscurity of South Africa. There are, however, some sharp lessons to be learned by those who wish to retain the death penalty for murder – not least the British parliamentarians who will soon, once again, be debating capital punishment, this time in the shadow of the grisly events of West Belfast.

Had it not been for the penalty given to the crime of which the Sharpeville Six were convicted, it is *doubtful* whether more than a handful of anti-apartheid *aficionados* would have kept abreast of the case. The imminence of the executions concentrated the minds both of those implacably opposed to capital punishment and of those who saw some political mileage in whipping up international opinion. If the hangings had gone ahead, what price would there have been on life in this 28th anniversary week of that other Sharpeville massacre.

The events in Belfast over the last seven days are eloquent testimony that political martyrdom, fostered by the use of the hangman's rope, is a recipe for retaliation and the escalation of murderous killings. Recognition of this has persuaded successive Home Secretaries since the troubles began in Northern Ireland in 1969 (with the notable exception of Mr Leon Brittan) to pronounce total opposition to the death penalty for terrorist killings.

It is a paradox that the most unspeakable murderers, who in retributive terms do most to forfeit their own lives, must necessarily not be the candidates for the condign punishment of death. Yet if the law enforcement agencies were to inflict their own capital punishment on the streets in order to counter instant terrorist activity, there might be an argument for the state exercising the power after a proper judicial process. There is a powerful lobby of opinion that seems not too worried by the lack of scruples displayed by law enforcement agencies when dealing summarily with known terrorists. It is a dangerous path to tread.

Any public recognition that the process of arrest and trial is being obviated by those enforcing the law may arouse retaliation every bit as fierce as the response to martyrdom of those executed by the state. The cycle of proactive and reactive violence is a frightening prospect, whether it be in South Africa or Northern Ireland. The solutions are to be found invariably in political terms, never in the resort to extreme penal sanctions applied to individual outcrops of political unrest of whatever intensity.

The reprieve of the Sharpeville Six came literally at the eleventh hour, no doubt inducing hope for the ultimate reprieve. But little or no comment has focused on how long that hope had been nurtured. Two years may not seem a long time to wait in comparison with the much longer periods that condemned men and women wait in the 37 states of America which retain the death penalty. The inevitable consequence of an increasing desire for certainty of guilt is a delayed criminal process and delay in carrying out the death penalty.

When capital punishment operated in Britain before 1965 it was an unwritten rule that if the delay between the passing of the death sentence in the court room and the completion of the appeal process was more than 90 days the sentence was automatically commuted. The principle was that hanging a man for murder was tolerable only, if at all, when the penalty was exacted within a reasonably short time.

That stance no doubt meant that in the past an innocent man may have been hanged in Britain. Both the thought of hanging an innocent man and the cruelty of delay to the condemned person and his family dictate the impossibility in a civilised society of resorting to the ultimate sanction. Yet delay is now intrinsic to contemporary criminal processes. On that basis alone it would be unthinkable that any British Government could reintroduce capital punishment, if only because condemned persons would invariably have to be reprieved.

The case of the Sharpeville Six provides another more fruitful lesson for those whose job it is to determine the proper penalty for murder. When the punishment for murder was changed in 1965 from the death sentence to life imprisonment one mandatory penalty was substituted for another. The inflexibility of the sentence was thus maintained despite the obvious range of degrees in culpability from one murder to another.

In South Africa if there are extenuating circumstances the court of trial has a discretion not merely to substitute life imprisonment for the death penalty but to impose a sentence of imprisonment for any term. The judge may impose a term of life, but that is merely the maximum penalty he may impose.

Such a system was proposed in Britain by the Lord Chief Justice in 1965, but instead the judges were given only the power to recommend the minimum period that a life sentence prisoner should actually serve. In the context of the parole system, that discretionary power of recommendation, only sparingly resorted to by the judges over the last two decades, has not worked well. The chairman of the Parole Board, Lord Windlesham, has publicly advocated a change to the maximum penalty of life imprisonment for all homicide offences. It is a view that may emerge more powerfully when capital punishment is debated later this year.

Looking to re-locate? Here's a list of all the cities and towns on the south coast with Government Assisted Area Status.

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ARTS

Architecture/Colin Amery

Throw off your mantle of deceits

Charles Holden (1875–1960) is best known as the architect of London Transport's finest underground stations; his other work has largely been forgotten or ignored. To correct this unfortunate lack of appreciation of a significant modern British architect, the RIBA's Heinz Gallery has mounted an exhibition of of exceptional clarity, organised by Eitan Karol and Finch Allibone who have also produced an elegantly designed catalogue.

In his foreword to the catalogue Sir John Summerson says that Holden was "the last of the Edwardians and the first of the English Moderns." This is a fair summary, but a look at the exhibition – and indeed the large number of his surviving buildings – shows that he was one of that very fascinating breed of architects who bridge the gap between ancient and modern. He did this by showing an understanding of the past in his work, but a past absorbed and then partially eliminated.

All good architecture has within it principles and forms which are universal and timeless: Holden's work is exceptional because his buildings fulfil utilitarian functions while offering powerful architectural experiences using a language of angular severity.

One of the blessings of Post-Modernism is that the critical climate is now free: it is no longer a crime to look seriously at an architect who designs in a variety of styles. Holden certainly had that gift, but as his work progressed it is possible to observe the emergence of a highly personal style. In his early work – the Belgrave Hospital in Kennington; the King Edward VII Sanatorium in Midhurst; the Bristol Central Library and the BMA Building in the Strand (now Zimbabwe House) – he is under the influence of architects like Beresford Pite, John Belcher and Charles Harrison Townsend.

Holden left his home in Lancashire in 1897 and went to work for C.R.Ashbee where I suspect that the rarified Arts and Crafts atmosphere was too much for him, since he left to join a more down to earth practice designing hospitals: this was the firm that became Adams, Holden and Pearson.

Although the spirits of Edward Carpenter and Walt Whitman lurk around Holden's private life and thought, he emerges from this exhibition as a man in love with the simple things in life, and the elemental in architecture. One of his favourite sayings was, "When in doubt, leave it out," and this philosophy is perfectly realised in his War Cemeteries. The austere Buttes British Cemetery in Belgium is a double colonnade with twin block-like pavilions that almost embody the spirit of gun emplacements. At Corbie, the pillbox-like pavilions are gloriously simple; they have been described as almost cruelly severe, but they are closer to the idea of a primitive temple. His war graves work is almost Egyptian in its monumental strength and simplicity, and this quality is also evident in the fascinating sketch of a proposal for a War Museum to be built in London – possibly in Green Park or along the South Bank of the Thames.

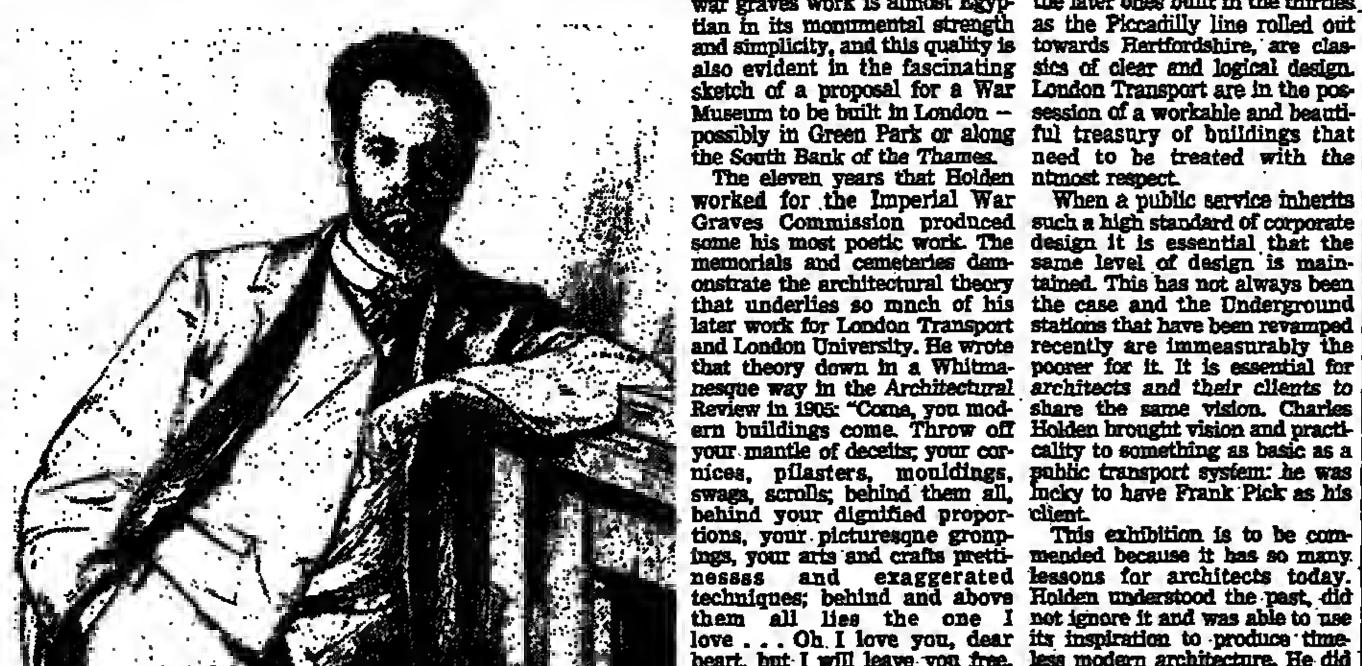
The eleven years that Holden worked for the Imperial War Graves Commission produced some his most poetic work. The memorials and cemeteries demonstrate the architectural theory that underlies so much of his later work for London Transport and London University. He wrote that theory down in a Whitmanesque way in the *Architectural Review* in 1905: "Come, you modern buildings come. Throw off your mantle of deceits; your cornices, pilasters, mouldings, swags, scrolls; behind them all, behind your dignified proportions, your picturesque groupings, your arts and crafts prettinesses and exaggerated techniques; behind and above them all lies the one I love . . . Oh I love you, dear heart, but I will leave you free. You shall be as naked as you choose."

And naked his buildings were – but naked in the best sense that only the purity of his forms was revealed. London University Senate House and the headquarters of London Transport show that sort of towering but unadorned form that he pioneered.

Under the enlightened patronage of Frank Pick of London Transport, whom he met in 1915, Holden was to achieve the greatest triumph of his career: the design of the Underground stations as the lines ran out to the suburbs. The earlier stations on the Morden Line extension, and the later ones built in the thirties as the Piccadilly line rolled out towards Hertfordshire, are classics of clear and logical design. London Transport are in the possession of a workable and beautiful treasury of buildings that need to be treated with the utmost respect.

When a public service inherits such a high standard of corporate design it is essential that the same level of design is maintained. This has not always been the case and the Underground stations that have been revamped recently are immeasurably the poorer for it. It is essential for architects and their clients to share the same vision. Charles Holden brought vision and practicality to something as basic as a public transport system: he was lucky to have Frank Pick as his client.

This exhibition is to be commended because it has so many lessons for architects today. Holden understood the past, did not ignore it and was able to use its inspiration to produce timeless modern architecture. He did not always succeed – London University lies heavy among the Georgian houses of Bloomsbury – but it does it with conviction. This exhibition makes the visitor want to go and look at the buildings themselves.



Portrait of Charles Holden by F. Dodd

Playbill/Royalty

Michael Coveney

Paul Eddington and Dorothy Tutin in "The Browning Version"

Forty years on, the two short plays first presented by Terence Rattigan under the banner of "Playbill" still constitute a good evening's entertainment.

Harlequinade is a buoyant backstage farce in which a theatrical touring couple, a pair of downmarket Lunts, rehearse *Romeo and Juliet* amidst revelations of bigamy and and unsuspected paternity. *The Browning Version*, which recent revivals have confirmed to be one of the best one-act plays ever written, charts a marriage at a stronger point of crisis as a classics master, Arthur Crocker-Harris, retires from a public school to the accompaniment of an unexpected show of affection by a pupil and a kick in the teeth from the headmaster.

The ad hoc actors' collective at the Royalty is led with distinction by Paul Eddington and Dorothy Tutin as the thespian Gosports and the torn-apart Crocker-Harrises.

Under Tim Luscombe's direction, Miss Tutin seems miraculously to have shed the mittel-European gurgling mannerisms that have so disfigured her work in recent years. She is sharp and funny as the mature Juliet not about to let the "social purpose" of an Arts Council tour (when written, it was still the C.E.M.A.) interfere with a flatteringly obfuscatory lighting plot. And as the pathologically adulterous Millie Crocker-Harris, scornful and cruel, she is mean and steely to such a degree that when she destroyed her husband's final delusion of emotional adequacy, a young girl behind me, who had not been noticeably attentive all evening, hissed between her teeth "The bitch."

Rattigan made no great claims for any of his work, and none at all for *Harlequinade*. It is indeed trivial and casually written, its reputation as a theatrical farce now irrevocably eclipsed by Michael Frayn's *Noises Off*. But Frayn is no more successful in concluding that hilarious play than was Rattigan in resolving his. A lot of plot is packed in too hurriedly, with narrative requirements then ousting situation humour.

Harlequinade is here given first, and somewhat apologetically. Rattigan always envisaged this soufflé following the main course of *The Browning Version*, as it did in the National Theatre revival of 1980. I fear the hideousness of this theatre with its enormous unfriendly stage and grim conference centre of an auditorium proves an insuperable obstacle to high spirits. But Mr Eddington, in sky-blue hose and an incongruous curly wig, is amusingly distracted and self-absorbed.

His Crocker-Harris keeps worthy company with the legend of Eric Portman and recent interpretations by Nigel Stock, Alec McCowen and (on television) Ian Holm. Like Chekhov's Trigorin, the role of a middle-aged literary and emotional failure is a gift. Mr Eddington seems to be permanently rocked back on his heels, demeanour and jaw as fixed as in stone. When the Crock cracks, the moment has a supercharged intensity, even though the actor is stuck behind a desk and at a great distance from the audience.

Carl Toms has designed two interlocked sets, one of cardboard shabbiness, the other of Harrovian gentility, that gamely combat the arena. There is notable support in both plays from Julie Dawn Cole, Jack Watling and John Duttine, and a blast of Julie Walters-style gale-force Brumminess from Sarah-Jane Holm (daughter of Ian) as the illicit fruit of a previous engagement.

Lear/Zurich

Andrew Clark

Ten years after its Munich premiere, Aribert Reimann's *Lear* is already regarded as one of the most challenging examples of German music-theatre to have emerged since the war. This Zurich production follows several other stagings in German-language houses, and there are now apparently plans for a British stage premiere at the English National Opera. *Lear* is not a work that an opera house toys with lightly: the scale and complexity of the orchestral score alone is daunting, and as Zurich has discovered to its cost, it is not the kind of opera to attract audiences of conservative taste.

Reimann's achievement is to have adapted the personal, social and political universality of Shakespeare to the cold, intellectual world of modern German music-theatre. It is hard not to draw parallels with Zimmermann's *Die Soldaten*, because there is a similar atmosphere of alienation and a brutal delight in human degradation. But *Lear* deals with larger themes: it is like a morality play without tragic or historical overtones, a horrifying parable of power and its misuse in a hostile contemporary world.

The musical language may in certain places have the delicacy of a battering ram, but it unquestionably gives the opera a viable dramatic character of its own.

This production by Harry Kupfer was adapted from a staging at the Komische Oper in East Berlin. It was conducted by a 29-year-old West German, Michael Boder, and sung by a cast whose all-round experience in modern and experimental opera is formidable. The result was a performance of numbing clarity and power, illustrating how ruthlessly Reimann distorts and exaggerates the weaknesses in human character presented in the Shakespeare play.

Each of the swiftly-succeeding scenes has its own fascinating examples of musical insight into psychology and character: the most telling are the concentrated brass and woodwind figurations signifying the power-mania of Regan and Goneril, the deafening repeated drum chords in the storm music, the meandering bass flute melody in Lear's "mad scene," and the cello lament when Lear's powerless rage is spent at the end of the opera's first half. All these the Zurich orchestra fitted with virtuoso precision into Reimann's vast tapestry of sound, thanks to Boder's cool grasp of the medium.

The stage production seemed calculated to bring out all the modern brutalist associations of the music: highly stylised posturing to accompany the screaming arioso writing for Regan and Goneril, dressed as paragons of fashion as status-symbol; semi-explicit scenes of torture and sexual depravity to illustrate the anarchy of war; a bald-headed, casually-clothed Lear who finds his bewildering journey towards greater social responsibility peppered with machine-gun threats from hooded mercenaries; and a Fool who offers his tart commentary from a swamp in the foreground of Reinhart Zimmermann's building-site stage set.

There may be less didactic ways of presenting *Lear*, but few productions will match Kupfer's for the detailed quality of acting he draws from his cast: the uniformly excellent performances included Werner Haseleu's Lear, Jozsef Dene as Gloucester, Peter Keller as Edgar, Wolf Appel as the Fool and Mani Mekler's Goneril.

Holy Days/Soho Poly

Claire Armitstead

Two young couples in the Kansas dustbowl: while the men struggle to keep their cow in milk, the women fight to keep their washing white on the line, as inch by inch the soil of their farm is swept off the land and splattered across it. An eerie shriek of wind is a constant reminder of the wastes that lie just offstage, in a short drama by American playwright Sally Nemeth which emerges as the numbing antithesis to the romance of living on the land.

This second contribution to Soho Poly's Off Broadway season brings to the London stage a writer capable of conjuring up a scene that is almost unbearably bleak – reminiscent more of outback Australia or Gabriel Garcia Marquez' endless desertscapes than the familiar face of the States. Its billing as a synthesis of the Kansas dustbowl with Dorothy's dreams of Oz makes the point: these are people whose dreams have been eroded as surely as the land on which they live; who are sustained by pride without vanity, work without profit and hope without faith. They are the reality of rural America, 1936.

Rosie and Gant have lost their only child in an accident inevitably connected to the land. The horror of his death, related on a monotone, is bitterly compounded by the discovery that even his mouth was full of earth. Molly is pregnant, but even this gesture of defiance seems empty and abortive – as if the baby in her womb is somehow foredoomed.

The play is set around Easter – a holy day signalled by the painting of eggs and the brewing of coffee beans hidden away for a special occasion that will probably never come. Otherwise all is timeless and placeless: news that navvies are being signed up to work on a new road provides the only significant awareness of a world outside, and also the only real bit of plot, culminating in Gant's departure to earn some badly needed money (and escape the despair of his wraithlike wife).

Brian Stirner's production catches the atmosphere in painstaking detail: when Rosie wearily lifts the net from a jug one can sense the dust raining into it. Brid Brennan brings to the part an extraordinary and compelling restraint, unfolding like an unglamorous version of Meryl Streep. The scope for comparison, if unflattering, is entirely apposite in a production which sets up characters a hair's breadth and an eternity away from how Hollywood might represent them. Brian Protheroe's Gant is lean, taciturn, with a weakness for drink that has nothing to do with living dangerously; Barbara Barnes's Molly is a popcorn kid aged beyond her years, who clings on to childlike pleasures for want of anything better, while her husband (David Beames) is anything but the firebrand his red hair might suggest. Slight *Holy Days* might be, yet this intense and moving production leaves me hungry for more from this patently talented writer.

Barbara Barnes as Molly in "Holy Days"

Absolute Hell/Orange Tree, Richmond

Martin Hoyle

"If it's not bombs it's socialists," sums up the perils of peace-time. It is 1945 in the Vie en Rose drinking club where eggs and tea rations are jealously cherished but the whisky flows like the proverbial. Much of the pleasure in this hugely enjoyable pièce à clef by Rodney Ackland, 80 this year, derives from identifying the place and its characters (one of my literary colleagues was delightedly doing so on the first night). Apart from inside knowledge, some types are eternal and are recognisable today in bohemian watering-holes in Soho or Chelsea. The drunken painter who expatiates on art but declines to expose his talent to canvas; the titled remittance woman (£40 a month to keep away from her family); the down-at-heel writer living on credit and the prospect of selling a film-script; the dotty elderly lady who lost her money in Singapore and lives in an Earls Court hotel – whom Julia McCarthy, tottering on high heels with little-girl white socks and beret, cooing out baby-talk, makes into a beautiful cross between Suzette Tarri and Shirley Temple. All are still around.

The period, familiar from Muriel Spark's *Girls of Slender Means*, "when all the nice people were poor," marks momentous change: the Labour victory, the American presence, both bounteous and sexually omnivorous, the awakening of social awareness. Mr Ackland's play was performed in 1952 but re-written in the 60s with, one assumes, franker language and more open treatment of sex.

The cramped quarters of the Orange Tree's tiny space emphasise the cartoon element in these Gogolian grotesques of the dawning age of austerity, and how they clash with the more naturalistically depicted characters. Sam Walters' direction works its customary miracle, here deploying 16 actors on a few square feet with no wings or backstage facilities, and the result is often funny and moving; but ungratefully I would love to see the play in a proscenium arch, its artifice perfectly in keeping with the work's consciously "theatrical" methods.

That said, there are two splendid performances that form the axis for this merry-go-round of the desperate, the selfish and the strugglers for salvation. David Rintoul's threadbare writer, living on a fading reputation and his job at the Ministry of Information (today it would be BBC radio), impassioned when necessary but weak, with a finely-judged hint, no more, of the limp wrist, is a masterpiece, not least when his furious outburst against a thoughtlessly destructive critic (sturdy Carol Macready puffing a cigar, accompanied by her uniformed Wren chum Bill, played by Liza Sandovy) is upstaged and mocked in clownish dumb-show. This is an example of the ugliness that the author rightly allows us to glimpse, though the contrivance sometimes shows (coincidences, the chance glimpse of an old friend in a photo of Ravensbruck). In what one must call the Jean Kent role, Polly Hemingway is superb as the hard-boiled, soft-centred club landlady, drawling or shouting in the accents of all who got lit up when the lights went up in London. Her desperate appeal for company and a quick black-out on an apparent gang rape by drunken GIs ends the first part. The final scene shows her screaming as rheumatoid arthritis stabs home and she knocks back the scotch in the club, now closed, the building unsafe, her licence lost, the sounds of the Red Flag wafting in from the new victors. A trifle heavily symbolic, perhaps, but this rich mix of a play contains enough plums to redeem occasional over-egging. Happy eightieth, Mr Ackland!

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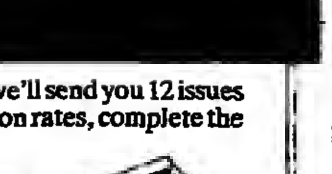

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Arts Guide

March 18-24

Music

LONDON

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with Vovka Ashkenazy on piano and Sheila Armstrong singing soprano. Beethoven, Mozart, Franck and Mahler. Royal Festival Hall (Tue). (928 3191).

Dmitri Alexeev, piano plays Brahms, Beethoven and Schumann.Queen Elizabeth Hall (Tue). (928 3191).

London Philharmonic conducted by Bryden Thomson with Boris Belkin, violin. Borodin, Prokofiev and Bax. Royal Festival Hall (Wed) (928 3191).

Monteverdi Choir and English Baroque Soloists conducted by John Eliot Gardiner. Bach St. Matthew Passion. Queen Elizabeth Hall (Wed) (928 3191).

TOKYO

Tokyo City Philharmonic Orchestra, conducted by Shunsaku Tsutsumi. Bach St. Matthew Passion. Kan-i Hoken Hall, Gotanda (Mon at 3pm) (464 2073)

Japan Philharmonic Orchestra, conducted by Ervin Lukacs. Beethoven (Mon, Wed) Suntory Hall. (234 5911)

Mischa Maisky (cello) with Pavel Gililov (piano). Beethoven, Suntory Hall (Tue). (403 8011)

Yomiuri Nippon Symphony Orchestra, conducted by Kim Hong Jae, with Noboru Kamimura (cello). Dvorak. Kan'i Hoken Hall, Gotanda. (Wed) (270 6191)

Tokyo Metropolitan Symphony Orchestra, conducted by Hiroyuki Iwaki. Bizet, Shostakovich. Suntory Hall (Thur). (505 1010)

PARIS

Mady Mesplé, soprano, Richard Cowan, baritone, Jeff Cohen, piano: Mozart, Strauss, Wagner, Verdi (6.30pm); Le Nouvel Orchéstre Philharmonique conducted by Marek Janowski, Malcolm Frager, piano: Beethoven (8.30pm). Both performances on Monday at TMP-Chatelet (42 33 44 44).

Orchestre Colonne conducted by Vitaly Katsev, Aldo Ciccolini, soloist: Schumann, Rachmaninov, Tchaikovsky (Mon). Salle Pleyel (45 61 06 30).

Ensemble Orchéstral de Paris conducted by Emmanuel Krivine with Marielle Nordmann on harp and Patrice Fontanarosa, violin: Jean Francaix, Spohr, Antonin Dvořák, Franz Schubert (Tue). Salle Pleyel (45 61 06 30).

Georges Pludermacher, piano: Beethoven, Bela Bartók, Robert Schumann (Tue). Salle Gaveau (45 63 20 30).

Quatuor Arditti. Helmut Lachenmann, Gyorgy Kurtag, York Hoeller, Elliott Carter (Wed). Centre Georges Pompidou, Grande Salle (42 78 79 95).

Orchéstre National de France conducted by Hans Graf. Radio France choir: Britten, Haydn (Thur). Théatre des Champs Elysées (47 23 47 77).

NETHERLANDS

Amsterdam, Concertgebouw. Recital Hall: Neil Mackie, tenor, accompanied by Roger Vignoles: Purcell, Britten, Butterworth, Henze (Tue). The Netherlands String Sextet: Brahms (Thur).

Utrecht, Vredenburg. Alain Lombard conducting the Hague Philharmonic, with Linda Kelm, soprano: Wagner (Thur). Recital Hall: Carolyn Wilkinson, mezzo, accompanied by Rudolf Jansen: Haydn, Schubert, Beethoven, Obradors, De Falla (Tue). The Tokyo Quartet: Haydn, Beethoven, Bartok (Wed). (31 45 44).

The Hague, Philipszaal. Antoni Ros-Marba conducting the Netherlands Philharmonic, with Olga Martinova and Alexander Barantschik, violins: Bach, Schnittke, Haydn (Mon). (60 98 10).

Groningen, Oosterpoort. The Franz Liszt Chamber Orchestra, with Isabelle van Keulen, violin: Mozart, Rossini, Haydn, Mendelssohn (Wed). (13 10 44).

Nijmegen, Vereeniging. The Brahms Quartet: Reger, Webern, Arriaga, Haydn (Mon). Guitar recital by Paul Gregory (Wed). The Brabant Orchestra conducted by Arpad Job, with Serge Tiempo, piano: Van Boorn, Chopin, Brahms (Thur). (22 11 00).

NEW YORK

Maurizio Pollini piano recital. All-Beethoven programme (Mon). Carnegie Hall (247 7800).

Dietrich Fischer-Dieskau baritone recital. Schumann Lieder (Tue). Mahler/Lieder (Thur). Carnegie Hall (247 7800).

Yajima, Rhodes Kresnick Trio. Schubert, Schoenberg, Mozart (Tue mat. 2). Kaufmann Hall (996 1100).

Juilliard Orchestra. Stanislaw Skrowaczewski conducting. Rossini, Barber, Berlioz (Wed). Avery Fisher Hall (874 2424).

New York Philharmonic. Klaus Tennstedt conducting. Radu Lupu piano. All-Beethoven programme (Tue); Klaus Tennstedt conducting, Pinchas Zukerman violin. Bach, Bartók, Dvořák (Thur). Avery Fisher Hall (874 2424).

WASHINGTON

Philadelphia Orchestra. Charles Dutoit conducting, Schlomo Mintz violin. Prokofiev, Barber, Rachmaninov, Ravel (Wed). Kennedy Center Concert Hall (254 3776).

National Symphony. Kurt Sanderling conducting. Haydn, Schubert (Thur). Kennedy Center Concert Hall (254 3776).

Saleroom/Antony Thorncroft

19th century domination

Paintings of the 19th century dominate the salerooms this week. Both Sotheby's (on Wednesday) and Christie's (on Thursday) have excellent auctions of Scandinavian pictures, while on Friday Christie's holds a major sale of 19th century art from the UK and the rest of Europe.

The highlight is the offering of five paintings from the Leverhulme collection, probably the finest British collection of Victorian art. Sold by Viscount Leverhulme, the star lot is *Silver*, a portrait of a classical beauty, lightly draped, by Albert Moore. It was bought by the vendor's grandfather from the artist after its exhibition at the Royal Academy in 1886. A price of around £200,000 is anticipated. The other major work is *Fair Rosamund* by Waterhouse, which was shown at the RA in 1917. This view of an Arthurian maiden gazing out of her tower casement should make £50,000.

Sotheby's is offering two Victoria Crosses in London today. One was awarded posthumously to Lance Naik Sher Shah, who killed 23 Japanese attackers while defending a position in Burma in 1945. It carries an upper estimate of £15,000.

The second has a dramatic history in that the recipient, Edward St John Daniel, was forced to forfeit it when he deserted his post in 1860. He was the first of eight VCs to be forced into this humiliation and the only officer. He won it for bravery in the Crimea when he was under twenty. The medal has a top estimate of £10,000.

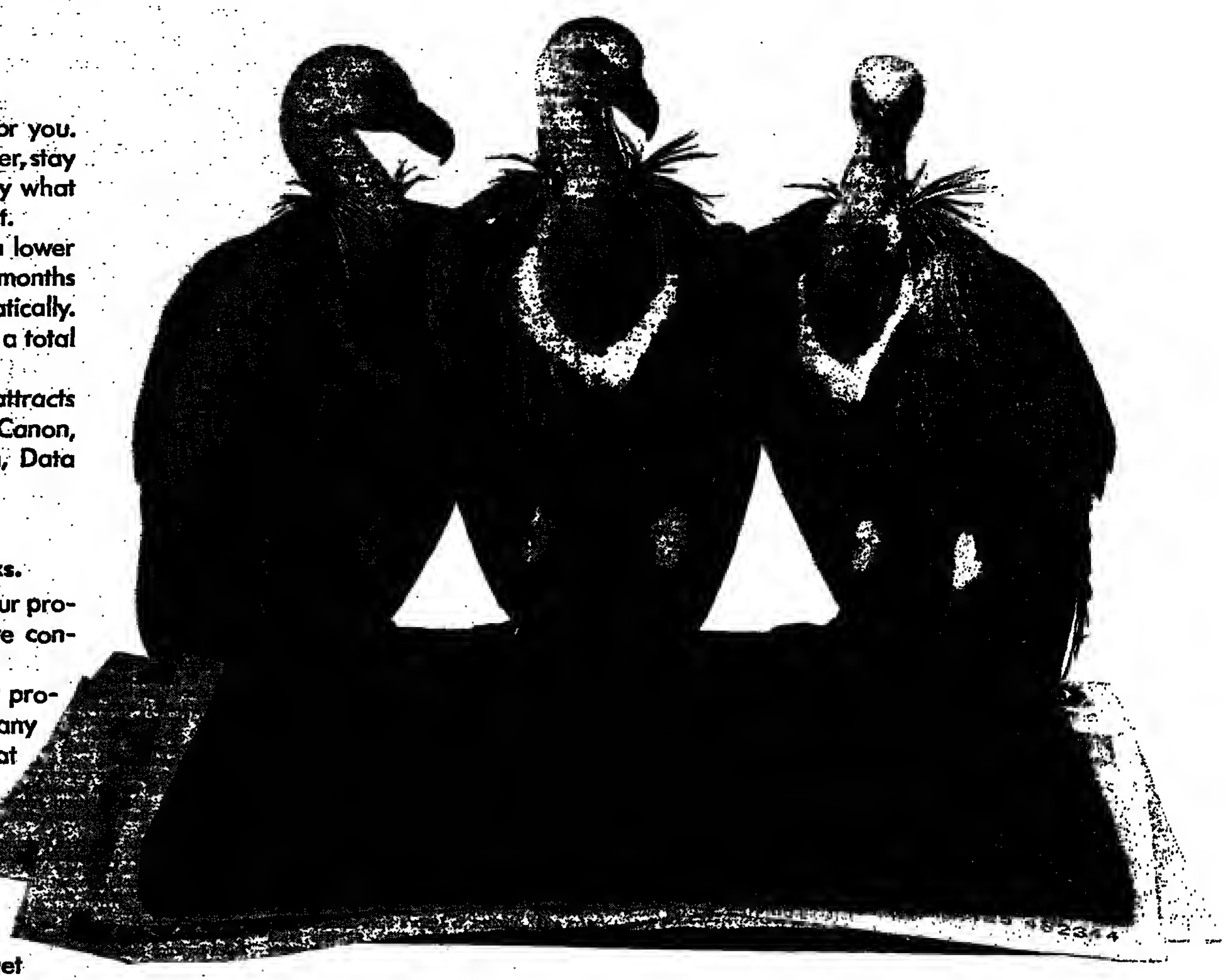
The medals of two distinguished air aces are also for sale. The DFM of Sergeant Brian Jagger who gunned down enemy fighters during the Dambusters raid on Germany in 1943 and Group Captain G. W. Murlis Green's thirteen medals awarded for a reputed twenty "kills" in the First World War.

Christie's is selling a VC tomorrow. It went to Troop Sgt Maj James Champion, who during the Indian Mutiny charged the enemy with forty men and helped to kill 450 of them. The medal is forecast at up to £15,000.

There is a good sale of Chinese snuff bottles at Sotheby's on Wednesday, including two private collections, one from England, the other from the Far East. Of interest to new collectors should be the numerous bottles at the lower end of the price range, estimated at between £350 and £1,000. In contrast a jade snuff bottle of the 18th century Suzhou school carries an £8,000 top forecast.

The English drawings and watercolours auction at Christie's tomorrow is dominated by one Turner landscape and four by Gainsborough. The former's view of Florence, dating from the late 1820s, should realise £50,000, while the Gainsborough studies range in estimate from £10,000 to £30,000.

Does it bother you that the owner's role in a building project is just to lie back and open his wallet?



If so, we have encouraging news for you. We offer a way where you, the owner, stay in control. Where you know exactly what you are getting and what it will cost.

Only, you get it faster and at a lower cost. We cut project time by many months or even years. We cut costs dramatically. And we offer you all the security of a total contract.

Is it surprising that our method attracts intelligent corporations like IBM, Canon, Scandinavian Airlines, Norsk Data, Data General, Astra...?

For the conventional mind, however, there are drawbacks.

We don't give a lump sum bid on your project, nor do we enter into incentive contracts.

We don't because it hurts your project. You are forced to take too many decisions too early, something that only leads to unnecessary costs. Even worse, it turns you and us into adversaries instead of partners.

What is the alternative?

You hire us for a fixed fee to manage your project. In the package you get all the specialists, data programs, routines, skills and experience you need for your building project–just as if your own company was a fully-fledged building project manager.

While you're building we are part of your company. We are your partner.

How do we save time?

Normally, you go through a lengthy design and tendering phase before you can actually start building.

With us, the pre-project phase is much shorter, but it still gives you everything you need to make your decision about the investment.

All detail designs are made while we are actually building. We take decisions at the time they are needed. After all, it is quite feasible to decide on the roof construction while working on the foundations or erecting the structure of your building.

It is this simple approach that attracts intelligent companies.

How do we save money?

We make sure you're integrated down as far as possible into the building process. Your project is broken down into many contracts, which we buy for you from competing contractors. You only pay net prices.

In our system, contractors are not passive suppliers but active partners, able to influence the design and construction of their own work. Not only does this save money, it increases the quality of your project.

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This is not so. We are professionals. Our motivation comes from participating in the creation of functional, yet beautiful, buildings–completed on time and within budget. What's more, we find satisfaction in our work.

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We believed that our method would have a future here. Our four years in the market have confirmed we were right.

Today we are a growing British company eager to show our merits.

We know that an advert is not enough to convince you. But if you have read this far, why not ring us for a meeting.

It won't take more than an hour of your time for us to demonstrate how we can benefit you in your next building project.

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Monday March 21 1988

The disgrace of Dundee

TRADE UNION leaders meet today in a last-ditch attempt to resolve their differences over a single-union agreement for Ford of America's now-abandoned proposal for a £40m electronics plant at Dundee in Scotland. Whatever they decide – and their only hope is to sweep all objections aside and to agree to the deal reached by the AEU engineering union – may be too little, too late. It is just possible that lurking behind Ford's scrapping of the proposed plant is a dramatic attempt to end five months of inter-union wrangling, but virtually all the indicators, public and private, are that Ford means it for real.

Ford needed to produce competitively at Dundee, and that meant wage rates reflecting pay locally and in the electronics sector. Ford also had to be sure of continuity of supply. It is a tribute to Ford UK's and Britain's much-improved pattern of labour relations that the company chose to come to the UK at all. But Ford's first British national strike for a decade, and the industrial disputes which surrounded it, have once again thrown up doubts about how far Britain really has shrugged-off the 1970s.

Informal policy

Ford Dundee will be the overt agenda for today's meetings at the TUC. But what will be its unspoken subject is the role for unions in Britain in the 1990s.

Since Ford announced its decision, the unions have been castigated for having failed to adapt to such new industrial relations developments as single-union agreements and strike-free deals. A closer look at the unions' most important level of activity – within individual enterprises – does not bear this out, but suggests that many employees including union members, and local union officials, not only recognise the new realities but have done so for some time.

What remains a real political, social and industrial problem is the attitude of some national union leaders. Had the plant been planned for South Wales, say, or the North-east, Ford would not have ended up abandoning it – because the regional TUCs in those areas have for some years successfully operated an informal policy which sees other unions withdraw once one has won a single-union deal. At national level the TUC also has before it proposals on single-unionism which, had they been in place, would probably have prevented the Dundee row.

But those suggestions have run into considerable national-level union opposition. Significantly, the unions which over Dundee have been praised for their "realistic" attitudes, such as the AEU and the EETPU electricians, have been as strongly opposed to the TUC's single-union proposals as have those who have been damned over Dundee, such as the TGWU transport workers and the new MSF general technical union.

As a minimum, in addition to agreeing fully to the AEU's deal for Dundee, the unions must now commit themselves to these new, and better proposals to deal with disputes over single-union deals. This would allow unions to respond to the market pressures from employers. Otherwise, they face having to come to terms with the other and growing market pressure of non-unionism, which is largely and successfully being chosen by employers in just such sectors as the Scottish electronics industry.

Job destruction

But the unions need to do more. The TUC should establish an employment department (which, astonishingly, it does not have), complete with an inward investment unit, aimed at maximising trade union support for new companies and new jobs – and, perhaps even new union members. Only when the unions begin to make such moves, away from job destruction and towards job creation, will what is for them collectively the disgrace of Dundee start to be erased.

Hard truths of 1992

WHEN BRITAIN nominated Lord Cockfield as its senior member of the European Commission in 1984, the choice was widely viewed as uninspired and even as a snub to Brussels. Then in his late sixties, little in his personal or political credentials seemed to mark him out as a well-qualified candidate.

However, in the past three years he has proved astonishingly effective in his job. As chief custodian of the EC's 1992 single market plan, he has seized command of what is arguably Europe's most important economic integration initiative since the Rome Treaty and marched it forward with vigour and determination.

Abandoning the discredited EC doctrine of imposed harmonisation and centralised regulation, he has placed the emphasis on radical liberalisation and mutual recognition of national rules and standards. Though even this politically more realistic approach has not prevented slippage in the legislative timetable, progress so far owes much to his dogged persistence in holding the commission and EC ministers to their obligations.

At times, he has perhaps gone too far. His dogmatic insistence on the need to align national indirect taxes is based on debatable economic logic and has engendered political hostility which could jeopardise other, more important, parts of the single market plan. Nor have his high-handed manner and apparent pleasure at dressing down ministers like unruly schoolboys advanced the plan's progress.

Closer integration

Nowhere has his performance more visibly aroused political hostility than in Whitehall. Suspicions of "disloyalty" have bred a growing whispering campaign, suggesting that he is unlikely to be reappointed when his term expires at the end of this year.

The case against him is muddled. He is accused of not having stood up for the British Government view. Yet the prime duty of a commissioner is – or should be – to act in the interests of the whole EC, not as the spokesman of his own country. More oddly, his principal sin appears to be an excess of zeal in implementing the very model of a freer European market which successive UK governments have long held up as the EC's holy grail. Official British criticisms have sometimes been dressed up in suggestions that he is hell-bent on harmonisation for its own sake. That is unfair, and conflicts with complaints heard elsewhere in Europe that he is an unreconstructed Anglo-Saxon liberal.

The truth seems to be that Britain is only now awakening to the practical consequences of the genuine common market it has demanded for so long and to which it and other EC countries committed themselves by treaty in 1985. By definition, closer integration cannot be achieved without compromise and some surrender of national autonomy. Any system which forces others to open their markets requires reciprocal concessions.

No EC government finds that easy, and all are guilty of a wide gap between what they say about 1992 and what they do in Brussels. But some, at least, have realised that no progress can be made simply by expecting the rest of Europe to become just like them. West Germany's recent agreement, after many years of foot-dragging, to Community-wide competition in industrial insurance is a striking example, which represents a huge concession to the UK.

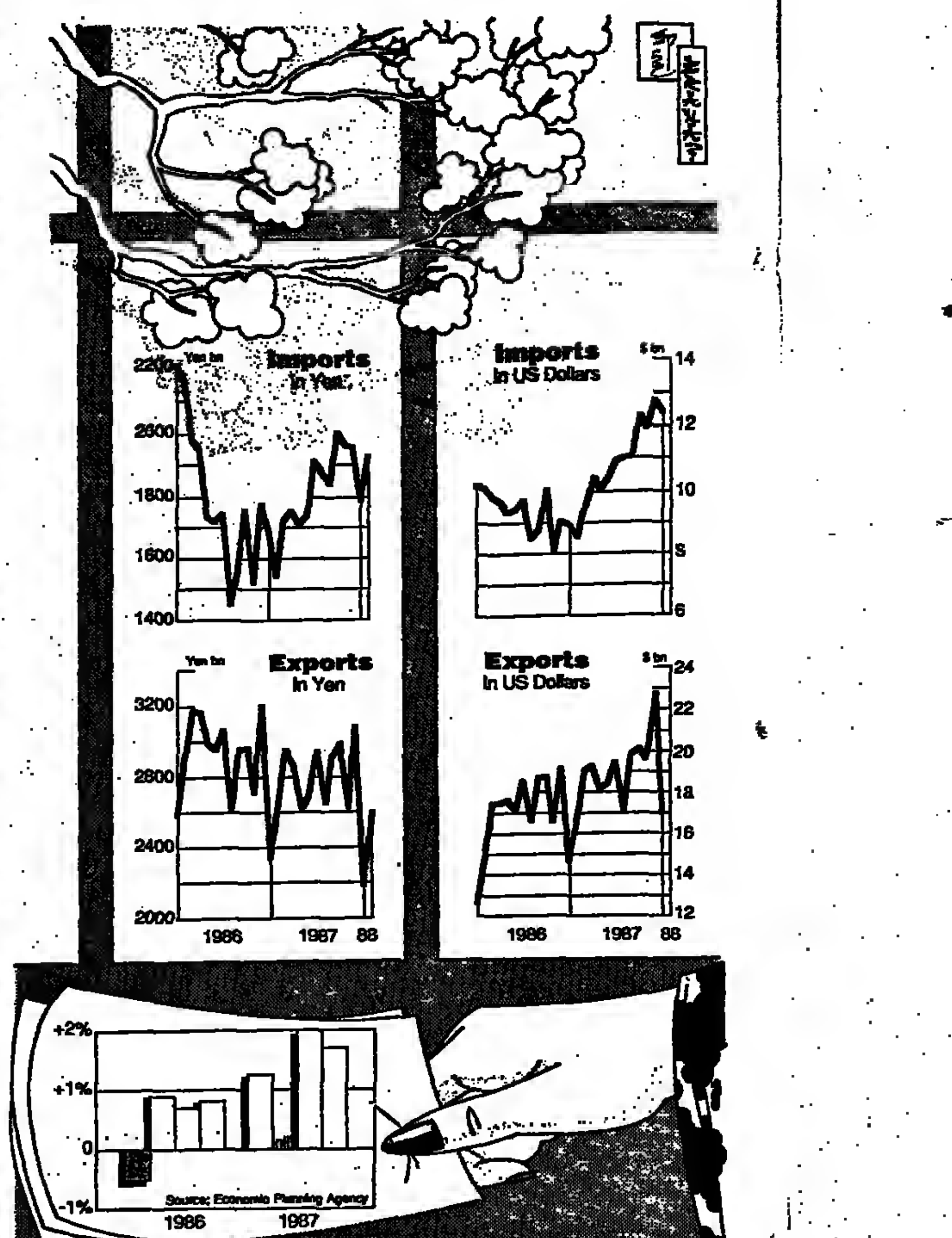
Petty cavils

Much the most worrying feature of current British attitudes, however, is that they hint at a cooling towards some key aspects of the enterprise. Doubts are being voiced in some quarters about whether the City of London's role as Western Europe's premier international financial market is best advanced by encouraging liberalisation elsewhere in the EC. That is short-sighted thinking. The efficiency of the City and other industrial sectors is best promoted by keen international competition, not by encouraging other centres to remain under-developed.

The EC will never create a single market if every country insists on gaining in every single area. That would be contrary to the whole theory of international trade. Britain should set an example by overcoming petty cavils and offering Lord Cockfield a second term. If he declines, the Government should ensure that his successor in the internal market job possesses similar independence, integrity and single-minded resolve.

Ian Rodger reports on Japan's changing economy and its growing thirst for imports

The market opens at last



NEXT WEEK, a ship will arrive at a port near Tokyo carrying a consignment of Honda cars made in the US. It will be the first time that Japanese cars, made overseas, have been imported into Japan. This may not seem a momentous event, but it would be difficult to exaggerate the importance of the changes in the structure of the Japanese economy that it reflects.

After years of empty promises, the Japanese really are opening their markets. The growth rate of imports has been accelerating for more than a year and last month their value was 48 per cent higher than in February 1987. Japan's merchandise imports are now running at an annual rate of $180bn (£97bn) a year, providing important contributions both to world economic growth and to the resolution of the acute international trade imbalance.

The yen has finally reached a level which is forcing Japan's powerful manufacturers to export large portions of their production capacity. This is being accomplished through a combination of direct investments, joint ventures and – a new trend – outright takeovers of foreign companies. The logical next stage, of which Honda's made-in-the-US car is the most spectacular example to date, is that the manufacturers will import more products into Japan from their overseas factories.

A few economists believe that these trends are now so strong that Japan's bloated and troublesome trade surpluses could be eliminated within five years. Most of them agree that even if the surpluses are not eliminated, they will probably drop to an acceptable level within that period.

"The general trend is for the surplus to be reduced – there is a very good pattern now," says Mr Susumu Taketomi, senior economist at the Industrial Bank of Japan. "I think we will get the trade surplus down to between one and two per cent of GNP (gross national product) within five years and that would be tolerable," says Mr Takashi Kiuchi, economist at the Long Term Credit Bank of Japan.

Last year's surplus was about 3.8 per cent of GNP. The rate of growth of Japan's imports began to accelerate early last year, thanks to a combination of market-opening measures by the Japanese government, the impact of the high yen and, as the year progressed, the strong recovery of domestic demand.

Import growth has been accompanied by an even more important trend: a dramatic change in the sort of goods imported. In the early 1980s, manufactured goods accounted for less than a quarter of the total, reflecting the country's resistance to imports. Last month, manufactured goods represented 48 per cent of the total. Imports of some categories of goods expanded spectacularly over the past two years. The value of car imports in February was $220m, more than three times the level in February 1986.

These trends show no sign of peaking and most economists believe that the flow of imports, especially manufactured imports, will continue to rise rapidly, even if not at accelerating rates. They say that the terms of trade will remain favourable for importers and that the Japanese domestic economy will remain buoyant for at least another year.

Japan's economy grew at an annual rate of 7 per cent in the fourth quarter of last year, according to the latest figures from the government's Economic Planning Agency. This followed an 8 per cent annual rate in the third quarter, confirming the strong recovery apparent since last spring. GNP growth for the full year was 4.2 per cent in real terms, with domestic demand growing by 5 per cent.

The recovery has been stimulated by exceptionally easy monetary conditions, leading to a boom in housebuilding and, in the latter part of the year, a surge in spending on public works. This year, these two sectors will probably remain strong because monetary conditions seem set to remain relaxed and the Government has committed itself to maintaining last year's level of public works expenditure.

Meanwhile, economic activity is being further stimulated, partly by improved private sector investment in plant and equipment and partly by strong growth in consumer demand. According to one recent survey, corporate capital spending might rise 6.4 per cent this year, with spending in manufacturing industry rising 12.3 per cent, after sharp declines in the past two years.

On the consumer side, the key factors are the rapid rise in the number of people in work and the prospect of big increases in disposable income. Nearly 1.5m extra jobs have been created in Japan in the past two years. The labour market is exceptionally tight, with the ratio of job offers to seekers reaching 0.85 in January, the highest level since the early 1970s.

The leading trade unions are expected to win significant rises in wages, perhaps 5 per cent, in the annual negotiations this spring. Another boost to incomes will come from the Y2,900bn (£12bn) of tax cuts that the Government has just agreed to implement.

Some import categories have grown spectacularly. The value of Japan's car imports in February was more than three times the level a year before

The Japanese earned more than anyone else in the world last year, with income per head up more than 20 per cent to $19,642, according to government officials – though most of the rise was due to appreciation of the yen against the dollar.

Stronger consumer demand can already be seen in the sales trends for key products. New car sales were up 14 per cent in January and 17 per cent last month. In December, domestic shipments of colour television sets rose 14 per cent while shipments of video cassette recorders soared 28 per cent.

Spending on holidays is also rising rapidly. The Japan Travel Bureau has predicted that 7.5m Japanese will travel overseas this year, up 10 per cent compared with last year.

The economy's buoyancy is expected to persist until the end of next year and probably longer because the Government will want to maintain a climate that provides jobs for people displaced by the structural changes occurring in manufacturing industry.

Although the conditions for strong import growth seem secure, it will not be enough to bring about a rapid decline in Japan's huge trade surplus. For this to happen, exports must weaken and, so far, the country's export performance has shown a surprising resilience. In part, this is due to the continuing impact of the J-curve effect as the yen keeps rising. (A rise in a country's currency creates an apparently perverse initial increase in the value of its exports, then a delay before a declining trend sets in.) The export performance also reflects the remarkable ability of many Japanese manufacturers to adapt to the higher yen and so continue to export profitably.

However, last autumn's rise in the yen's value to less than Y130 to the dollar appears to have represented the breaking point for many companies, leading them to decide that it was time to reduce exports and to accelerate plans for moving production overseas. "The appreciation of the yen has been enough to make the management of top Japanese companies realise that the world has changed," Mr Kiuchi says.

Indeed, such is the urgency in some cases that Japanese companies, which have long preferred to build their own plants abroad, are beginning to buy existing production assets overseas. One example is Bridgestone's determined attempt to acquire the tyre operations of Firestone Tire and Rubber of the US, culminating in Friday's $2.6bn agreed bid.

Other companies are already well along the way. Producers of audio products, for example, now make only 17 per cent of their radio cassette tape recorders in Japan compared with 57 per cent two years ago. The Japanese motor industry is installing capacity in the US that will enable it to produce 1.8m cars there by 1990, compared with some 500,000 last year. The impact of these moves on the trade balance could be substantial if the US production displaces exports from Japan – though the Japanese carmakers say they do not expect that to happen. None the less, if Honda's gambit in importing cars turns out to be more than an isolated token gesture, there would be a double impact on the trade balance.

For the moment, however, the shift of production assets abroad seems to be producing another J-curve effect. Japan's export performance is being held up by strong growth in the export of capital goods. This has been rising rapidly in recent months, partly because of the need to equip the new Japanese factories abroad. Last month, for example, exports of machinery were up 28 per cent, while exports of consumer products, such as cars, were flat or down.

Some economists think this phenomenon could last for some time. "In the first five years of an overseas plant, exports to it tend to rise," says Ms Elizabeth Saccente of the securities group, Citicorp Scrimgeour Vickers, in Tokyo.

The impact on Japan's trade with its major partners has varied. The lingering currency J-curve effect and the export of capital equipment apply in particular to the US and to the newly industrialising countries (NICs) in Asia.

Thus, there is optimism in Tokyo that the trade surpluses with these areas are now, or will soon be, on a declining trend. In the past year, for example, merchandise export growth rates to the US were in double figures for only one month. Import growth rates, on the other hand, have continued to accelerate.

Trends with the European Community (EC) are more of a problem. While import growth has been very high (61 per cent last month), export growth rates have also remained strong. This suggests that Japanese exporters have been turning their focus from the US to the EC, where currencies have not fallen so much against the yen and so sales are more profitable. It remains to be seen if the European Commission's strategies of promoting exports and pressuring Japanese companies to set up local plants in Europe are enough to bring about a decline in the chronically high Japanese trade surplus ($1.9bn last month).

The improvements could, of course, be upset. On the domestic front, for example, it is possible that Japan's economy could overheat in the next few months, leading to inflation, a tightening of the money supply and a slump in the stock and bond markets, which could undermine consumer spending and the growth in imports.

Exchange rate movements are always of concern, although there is a rare feeling of stability in Tokyo these days. Interestingly, this has developed even though Japanese portfolio investors are still very cautious about investing new funds in US securities markets. It looks as if the vital flow of capital from Japan to the US is being assured by the surge in direct investment.

If the US trade deficit does not improve in the next few months, the dollar could again come under pressure. Economists fear that any further sudden rise in the yen could take the stuffing out of Japan's recovery.

On the other hand, any significant weakening in the yen could cause manufacturers to scale down their overseas expansion plans and revert to exporting. Mr Ichizo Yamauchi, of Nomura Research Institute, says the best case would be for the yen to appreciate gradually over the next few years – not by enough to trigger a big J-curve effect again, but by enough to prevent Japanese manufacturers from going back to exporting. If that happens, he believes that the trade surplus could disappear entirely by 1992.

Mr David Gerstenhaber, of the US securities house Morgan Stanley, thinks the same. Mr Gerstenhaber is forecasting that Japan's trade surplus in the next fiscal year will plunge to $41bn compared with an estimated $93bn in the year to end this month, and will continue to drop rapidly thereafter.

Most economists remain more cautious; for example, Mr Taketomi, of the Industrial Bank of Japan, is looking for a decline to $88bn in fiscal 1988-89 and a gradual decline thereafter to between about $30bn and $40bn in five years' time. If they are right, Japan's trade surplus will decline to such an extent that the country will no longer be considered the chief villain when it comes to apportioning blame for chronic trade imbalances.

OBSERVER

King over the water

It has become hard not to feel sorry for Tom King, the Northern Ireland Secretary who will make yet another statement in the House of Commons today about the latest – and perhaps most sickening – turn of events in the Province: the killing of the two British soldiers on Saturday.

King used to be a sort of all-purpose Minister, available to be shuffled from post to post whenever the Thatcher Cabinet had a hole in it. The Prime Minister kept him out of the first team when she formed her initial administration in 1979, even though he had served three not unsuccessful years as Shadow Spokesman for Energy.

By early 1983, however, he was Secretary of State for Environment. In that year alone he held three successive Cabinet posts: Environment, Transport and Employment, which must be some kind of record.

He was moved from Employment to Northern Ireland in September 1985 when Margaret Thatcher was going through one of her bouts of ruthlessness. She removed Leon Brittan from the Home Office, installed Douglas Hurd, the previous Northern Ireland Secretary, in his place and sent King to Ulster.

Strange timing

The date was of some significance, even if not all of the Prime Minister's advisers noticed it, for it was almost the eve of the Anglo-Irish Agreement, which was to change British policy to Northern Ireland fundamentally. Once the Agreement was signed the British Government was no longer automatically disposed to favour the Ulster Unionists. Britain also accepted the claim of the Irish Government to be allowed a hearing when it came to making Ulster policy.

Because of the timing, King played almost no part in the shaping of the Agreement. Indeed his early reaction to it was one of some suspicion. It was he who had to deal with the Unionist reaction, which was one of "Ulster says No."

The fact that his reputation at home was not very high did not help. "Nice man," Cabinet colleagues would say, "but all talk...could talk the hindlegs off a donkey, which may of course be what you want in the circumstances." He is, in fact, a trifle verbose.

The low domestic reputation had its effect in Belfast and Dublin. King was seen as a stop-gap, whose appointment was a sure sign that Britain did not take the Irish question seriously.

Proving himself

Yet over the last couple of years he had begun to prove himself. The closer relationship with Dublin, which the Anglo-Irish Agreement was meant to bring about, has been maintained, despite the manifold strains. King has done his best to talk to those Unionists who will listen and has gone a long way towards calming down some of the more raucous voices on the Irish problem in the United States. His standing in the House of Commons has grown.

Kevin McNamara, the Labour Party Spokesman on Northern Ireland affairs who is normally pretty critical of Government policy, ackowledged most of that when he said on BBC Radio 4 yesterday that he had some sympathy for the Secretary of State.

What has happened is that King has run up against an old truth: namely that, in times of crisis, British policy towards Ireland can only be effective if the full authority of the British Government is seen to be behind it.

That was shown in 1973 when Willie Whitelaw pulled off the Sunningdale Agreement with considerable Irish help, only for it to be forgotten when the British ran into domestic difficulties of their own involving a coal strike and a premature general election.

It was shown again in the Anglo-Irish Agreement, which would never have been achieved had not Robert Armstrong, the then British Cabinet Secretary, persuaded the Prime Minister to put her full weight behind it.

Even leading Catholic politicians in Ulster came to believe that whatever they thought about Thatcher's economic policies, the continuation of a Conservative Government under her leadership would be better for Ireland.

Eye off the ball . . .

Since then Armstrong has retired, a number of other key officials on both the British and the Irish side have moved on to new tasks and the Prime Minister has plainly taken her eye off the ball.

The Irish Prime Minister is now Charles Haughey, who was leader of the opposition when the Agreement was signed and somewhat critical of its content. Yet, in office, he has stuck to it to spite of what must be strong domestic pressure to denounce what looks like a string of British cock-ups over the last few months.

Thatcher's attitude towards Haughey nowadays is like that of a jilted lover: the phrase comes from a British Cabinet Minister who has watched events unfold. It was Haughey who, in an earlier period as Irish leader, first mooted the idea of a closer Anglo-Irish relationship, then incurred displeasure in No 10 Downing Street for going public too early and suggesting that more had been agreed than was actually the case. He has not been forgiven.

Yet, at the British end, it should be perfectly possible to make up the quarrel. There is now a group of senior Ministers with experience of and interest in the Irish question: Home Secretary Hurd and the Foreign Secretary, Sir Geoffrey Howe, as well as King himself. Together they ought to be able to persuade their leader that Ulster should come back to the top of the political agenda.

Electronic warfare

One of the subjects to which they need to draw more public attention is the sheer sophistication of the warfare: the electronic warfare especially. The IRA's attempted offensive in Gibraltar two weeks ago came very close to succeeding. It could only have got that far because the IRA was using the most advanced listening devices and other forms of electronic communications.

Equally, of course, the security forces use the latest state of the art in trying to break the net. But I do not think that the extent to which the battle with the IRA has a hi-tech war is generally known.

Nor is it widely appreciated that there is believed to be a stock of weaponry in Ireland that goes way beyond the needs and current practices of the IRA, even if they were simply piling up reserves for use to the end of the century.

That is one of the reasons why Haughey is worried, for ultimately the IRA is aimed far more at the constitutional Irish state than at mainland Britain. Haughey cannot easily get out of the Anglo-Irish Agreement even if he wants to, for he has nowhere else to turn.

Anarchy

There is a widespread disposition to say that the Irish are at it again and that their problem is insoluble. Yet it is hard to see how leaving it all to Tom King makes it any better.

What we have now is a situation where almost anyone will believe almost anything: is an unarmed man in an odd place at an odd time an IRA suspect or a plain clothes member of the SAS or what? In short, there is anarchy where there could be some firmer attempt at government.

No. 6

Square

Divide the square into four identical sections. Each section must contain the same 9 letters which can be arranged into a familiar 9-letter word.

B	R	C	A	R	I
I	T	O	T	A	O
C	A	A	C	C	B
B	C	I	O	I	C
C	A	A	B	C	A
T	R	A	T	O	R

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(For those who are utterly puzzled, answers are available from the above address.)

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Philip Stephens examines an economic policy dilemma facing the British Government

Trying to reconcile conflicting goals

A POST-BUDGET cut in interest rates is nowadays taken for granted by Conservative Chancellors of the Exchequer. It is their due reward from financial markets for fiscal prudence.

The half point cut in bank base rate to 8½ per cent last week was thus claimed as a ringing endorsement of last Tuesday's announcement of radical tax cuts and the first public sector financial surplus for nearly 20 years.

It also served to damp down the messy dispute over the exchange rate between the Chancellor and the Prime Minister. By reducing borrowing costs to stem a renewed surge in the pound's value, Mr Nigel Lawson could claim that he had re-established his control over policy.

The flood of overseas funds into sterling, however, was a vote of confidence that Mr Lawson would happily have done without. The cut in interest rates was not a carefully-orchestrated piece of political theatre. It was forced on him by the foreign exchange markets.

If, as Mrs Thatcher asserts, she and the Chancellor are once again part of "one big happy family", the fundamental policy dilemma behind their initial dispute remains unresolved.

The framework of exchange rate stability so carefully constructed by Mr Lawson is still standing, but the foundations have shifted and are threatening to crack. Industry is promised a degree of stability for the pound but no clarification of what that means in terms of dollars and D-Marks.

Officially, of course, there has been no change in policy. For the record that remains as follows: *the Government's overriding aim is to maintain steady downward pressure on inflation; within that context it will seek to provide a stable environment for businessmen by resisting large fluctuations in the exchange rate.*

The problem occurs when the two objectives threaten to conflict. Mr Lawson has only one significant weapon – interest rates – to achieve both ends.

It was that dilemma – the need to reconcile a stable pound with a credible anti-inflation stance – which was behind the decision two weeks ago to allow sterling to rise above the DM 3.00 ceiling defended for the previous year.

The official judgment was that the inflow of funds into sterling was so strong as to make large-scale intervention in foreign exchange markets to keep it below DM 3.00 unsustainable.

The Bank of England's sales of sterling to meet overseas demand were exacerbating already rapid growth in the money supply. Immediate efforts to offset the monetary expansion through issues of gilt-edged securities – so-called sterilisation – might merely have added to the demand by holding up the level of interest rates.

Alternatively of course, Mr Lawson could have cut interest rates before the Budget. That would have made sterling less attractive to overseas investors and perhaps kept it below DM 3.00. It would not, however, have enhanced the credibility of his anti-inflation commitment.

In the cloud of the claims and counter-claims of the past two weeks, it is difficult to know whether Mr Lawson was prepared to take the risk but was overruled by Mrs Thatcher.

The Prime Minister is said to been irritated by Mr Lawson's sometimes oblique and occasionally more explicit suggestions that Britain had taken up shadow membership of the European Monetary System.

Against that, the Chancellor probably needed little convincing that the signals from the economy pointed to the need for a cautious stance on interest rates to restrain the growth rate of demand.

A few figures tell the story. Consumer spending has been rising at an annual rate of 5 per cent and earnings by 8.5 per cent, while levels of capacity utilisation in manufacturing industry are back to the levels of 1979.

In parallel, much slower growth in overseas economies and a loss in Britain's competitiveness as a result of sterling's appreciation during 1987 is being reflected in a fairly rapid deterioration in Britain's trade position.

The Treasury's forecast of a £4bn current account deficit this year (compared to £1.5bn in 1987) is widely regarded as optimistic. The implication is that at some stage – perhaps in a few months, perhaps in a year – the present upward pressure on the pound will be reversed, risking higher inflation.

The broad measure of the money supply, M3, has been expanding by 20 per cent a year and, despite some fall last month, demand for bank credit remains at an uncomfortably high level.

As always, interpreting the money supply figures is fraught with difficulties. The surge in personal credit behind the rapid expansion of M3 is closely linked to structural and behavioural shifts in the economy which have fogged the implications for future inflation.

But the overall domestic environment hardly suggested scope for lower borrowing costs. If the economy is not overheating, it certainly shows no sign of a significant cooling.

In those circumstances, the eventual decision last Thursday to cut base rates could only be justified in the context of the pound's rise since the beginning of the month. Arithmetical precision is impossible, but the Government believes that a 3 per cent appreciation of the pound against the D-Mark tightened policy sufficiently to be offset by a half point cut in interest rates.

Lower interest rates will raise the inflationary lid in areas like consumer spending and borrowing, but a higher pound will push it down more firmly on companies competing at home and abroad with foreign businesses.

The immediate impact on competitiveness and exports is unlikely to be dramatic. The widening trade gap is a reflection of faster growth in Britain than elsewhere as well as of flagging competitiveness. Anecdotal evidence suggests that exporters' profits margins are relatively high.

The juxtaposition, however, of a *high exchange rate and low* borrowing costs can hardly be ideal. It will discourage shifts of resources into the export sector, and it will give an additional boost to already rapid growth in imports.

If official policy is still applying downward pressure on on inflation, that pressure is being applied in just the wrong place.

This, of course, has been the rationale behind Mr Lawson's policy of promoting exchange rate stability. If he had the choice of swapping the present position for, say, an exchange rate of DM 2.95 and interest rates of 9½ per cent, he would jump at the chance.

In the real world, he has to cope with the possibility that in the short term sterling will actually rise rather than fall, kicking away the remaining supports of his exchange rate policy.

So far his response has been to try to "talk stability". His comment that a further significant rise in sterling's value against the D-Mark is unlikely to be sustainable has become the oft-repeated official line.

But the terms of his truce with *the Prime Minister* and an *understandable* disinclination to set another firm ceiling for the pound which the markets might quickly break through have left him without any other weapons.

Large-scale intervention is out of favour. As policy is currently framed, the anti-inflation objective means that Mr Lawson can cut interest rates if the pound rises further but not to *prevent* it from doing so.

The lack of any detailed explanation as to the depth of the present commitment to exchange rate stability may help to preserve the Chancellor's tactical room for manoeuvre in the markets. But it will not underpin industry's confidence that it can make output and investment decisions on the assumption that they will be not be overtaken by shifts in the pound's value.

Providing that assurance was the rationale last year for loud public statements of the commitment to stability, particularly against the D-Mark. The Bank of England added $20bn to its foreign exchange reserves as evidence that words would be matched by actions.

Mr Lawson is asking now that industry take a rather vaguer pledge on faith. Policy, according to one insider, is not something that can bet set down in precise terms but rather a framework which has to be adapted to changing circumstances. That may be true but it does not make it easy to understand.

Lombard

Time to end the archaic UK Budget procedures

By Samuel Brittan

HOW MANY people know that after all the tax changes made by a bold Chancellor in a right-wing radical government, in the first year of a parliament, the tax burden as a proportion of the national income will not fall?

Yet this very modest, steady-as-she-goes stance has been greeted with cries of rage as a surrender to private greed and neglect of the public services. Nor were these howls entirely due to the long overdue cut in the top marginal rates.

The demonstrations by public service workers and the guilt feelings of some of the middle-class recipients of tax remissions were evident long before Budget Day, and were indeed originally designed as a protest against the expected basic rate reduction. The norm still seems to be that the tax burden and the public sector share should rise so long as it happens automatically through fiscal drag without changing tax rates or thresholds.

Unfortunately, governments help to reinforce this way of thinking by the absurd and idiosyncratic unusual British habit of confining the Budget to taxation, and announcing public spending plans separately on a much earlier day.

In contrast to almost every other country, the British Budget is concerned entirely with raising revenue and not at all with spending. Public expenditure decisions are announced the previous October or November in the Chancellor's Autumn Statement and amplified in the subsequent Public Expenditure White Paper. One result is that however many increases there have been in public expenditure, they have been long forgotten by Budget day.

For instance, in its last Autumn Statement, the Government announced an increase in the public expenditure planning total for 1988-89 of £9.5bn in cash terms. Even after allowing for expected inflation, the increase was still £2.6bn. Had even larger increases been granted, the Budget could still have been presented as "mean" in providing only for taxpayers and not at all for the public services.

Of course, not all the polarised reaction to the Budget was due to timing or procedure. But the preoccupation with tax to the exclusion of spending in each and every British Budget is an aggravating factor, and it is worth expending a great deal of effort to end.

The peculiar separation of the two persists partly because of an excess of virtue on the part of Whitehall. The British financial year begins in April. But the main public expenditure decisions have to be taken several months before if there is to be any coherent planning of government activities.

On the other hand, tax decisions – especially on the rates as distinct from the tax structure – can be made very much nearer the beginning of the financial year. The Treasury is, thus, extremely reluctant to announce tax decisions, whether firm or tentative, on the basis of revenue estimates and economic forecasts which can change a lot between the autumn and the early spring.

The Armstrong Committee, of which I was a member, suggested

However much public spending is increased, it is all forgotten by Budget day

that the Chancellor should present a Green Budget in the autumn. By this it meant that provisional tax proposals should be made at the same time as the public expenditure announcement.

But the Treasury was understandably never prepared to give so many hostages to fortune; and there is probably no future in a Green Budget, or revenue projections not tied to specific policy action. Reform must take a different line. There is a strong case instead for doing as other countries do and announcing public expenditure and actual tax decisions at the same time which, given the British financial year, would have to be around November.

The disadvantage of this suggestion is that tax decisions would be made on the basis of revenue projections which could be changed by several billion pounds. But the objection is not that strong. The Chancellor can always amend his tax changes during the course of the Finance Bill, which even now does not become law until four months after the Budget.

There are even positive economic advantages in the Government making its main tax decisions in the autumn. If revenue projections are made some way ahead they will probably be – and certainly should be – based more on trend projections of economic growth and inflation rather than short-term forecasts of cyclical movements.

There will thus be a tendency to surplus in boom conditions and a tendency to deficit in a recession. It should be possible to combine the long-term balanced Budget rule, enunciated by Mr Lawson last Tuesday, with built-in fiscal stabilisers in the short term. (By these I mean a tendency towards automatic surpluses in boom and automatic deficits in recession).

Such procedures would not solve all the problems of fiscal policy. Booms and recessions may last more than a year; and conscious decisions will still sometimes have to be made either to postpone balancing the Budget or to continue a series of surpluses. But the pressures would usually be in the right direction.

All the political, educational and presentational arguments point to taking and announcing both expenditure and revenue decisions at the same time. The main economic arguments against are those of either 1960s fine tuning or Gladstonian year-by-year budget balancing. Now that both of these are out of fashion and lip service at least is paid to a medium or long-term Budget balance, with temporary variations either way, there is no reason why the British Budget should be the odd one out in dealing with tax to the exclusion of spending.

If public expenditure and the tax changes can be announced at the same time, it will at last be possible to show how the fruits of growth are being shared between the private and public sectors. Otherwise tax and public expenditure will once again start to swallow an ever-increasing proportion of the national income.

Letters to the Editor

Students suffer planning blight

From Mr Paddy Ashdown MP.

Sir, The Government should be prepared, as your leader rightly argues, (March 15) to come clean on its plans for student support. It should also be prepared to guarantee a realistic timetable for proper consultations in which it should genuinely be happy to listen to public debate. There has been too much "going through the motions" of consultation, and policy proposals have suffered for it.

The longstanding uncertainty that surrounds this area of government thinking is now assuming the nature of a planning blight. Student support policy is a vital component in the post-16 equation, and further procrastination after nine years of muddle should be unacceptable – not least because there will be many potential students weighing up the financial consequences of study. It is just not good enough for the system to be allowed to splinter on, while ministers simply set up further private review committees.

Their nervousness, though, is easy to understand. It is not for nothing that the countless internal Department of Education and Science (DES) reviews have failed to produce workable schemes for student loans. The cost implications for likely return are never encouraging – nor is the foreign experience, as officials must be pointing out to the politicians. The Conservative party has been committed to the idea in principle for many years but has always turned it down on practical grounds. What is likely to have changed since it was last rejected?

Your leader also hints that there should be a more extensive look at the financing of higher education institutions (though you frame the argument solely in terms of universities). It is in this area that the Government is being most disappointingly cautious, confirming the impression it gave when it cut the element of institutional income derived from tuition fees in order to reduce the incentive to recruit students.

Both the Liberal party and the SDP have evolved policies designed to increase that incentive, and meet the urgent need for an expansion of higher education opportunities (most recently in my and Alan Leeman's publication, Choice without Privilege). We believe that a much greater proportion of income should be channelled through students' individual entitlements, including part-time study, thus enabling the system to become more responsive to need and demand.

Students loans are not necessary for such a reform. Nor is there any evidence from schemes so far put far put forward that they produce a system which is either just or desirable.

Paddy Ashdown,
House of Commons, SW1

No substitute for reasoned evaluation

From Dr Edmund Goldberger.

Sir, It is a pity that Mr Samuel Brittan's emotional outburst against the Prime Minister (March 16) detracts from whatever merits his own exposition of policies may have.

One would have hoped that his considerable intellectual faculties would have prevented him from displaying an unattractive arrogance by insinuating inferiority in others in contrast to his own highlighted superiority of judgment.

At the heart of the controversy is whether to join the European Monetary System (EMS) or not. Exchange and interest rate policies follow from this. Mr Brittan, rightly or wrongly, converted a short while ago in favour of joining. As is usual with converts, they embrace their new creed with exuberant fervour and passion. But this vehemence and intolerance of other views leads him to diminish what he calls "her kitchen cabinet advisers" in order to undermine the position of the Prime Minister.

Professor Griffiths, a distinguished academic thinker who has also probed the philosophy and moral dimensions of economic activity and policy, is dismissed condescendingly as "Brian Griffiths of the Number 10 Policy Unit" – a kind of clerk! Mr Brittan's description, "on the basis of fleeting visits from her former guru, Sir Alan Walters," shows the author of Britain's Economic Renaissance, and significant contributor to our economic revival, as an itinerant minstrel.

Moreover, those like myself, who have often agreed with Mr Brittan's presentations, are bewildered why a conceivable opinion difference between Mrs Thatcher and Mr Lawson is being used to display his all too evident dislike, or worse, of the Prime Minister.

It is unlikely that the Chancellor requires defence from an anti-Thatcherite Samuel Brittan whose ill-feelings towards her, spiced with touches of venom, are no substitute for reasoned evaluation of issues.

Edmund Goldberger,
20 Albion Gate, W2

The cure is surely to stop the abuse

From Mr Duncan Heenan.

Sir, The imposition of VAT in 1984 led to widespread insolvencies among suppliers of home improvement goods. Now we are to be hit again by the removal of mortgage interest relief. The reason given was that of abuse: using loans for unauthorised purposes. The cure is surely to stop the abuse, not to cripple a whole industry serving the non-abusers.

Duncan Heenan,
Glostal
Ashchurch,
Tewkesbury, Gloucestershire.

'If Sir Kenneth Berrill did not agree he should have said so'

From Mr John F. McIntyre.

Sir, Barry Riley writes (March 10): "In a year the system (of City regulation) would be largely bedded down and accepted" – presumably his paraphrase of Sir Kenneth Berrill's statement.

Of the 12,000 intermediaries registered with FIMBRA (the Financial Intermediaries, Managers and Brokers' Regulatory Association) – either authorised or in expectation of being authorised – most will be likely to be one, two or three-man businesses. A good nnmber of them will probably not have delved into the Rules; Sir Kenneth is probably correct in euggesting that "investmeot practitioners had not focused on the problem until it hit them." They are in for a considerable shock.

The rules run to 174 pages of closely typed A4-size paper. Within two years – in my view and in the view of the other brokers who have etudied the requirements – there will be fewer than 5,000 intermediaries.

As an accountant, I welcome regulation; I am convinced that there is a need for authorisation. But the requirement of how business is to be conducted, how records are to be maintained, and solvency margins reported, is dramatically more onerous than that expected of accountants or solicitors; it is "overkill" – too far, far too fast.

Surely the initial efforts should have been directed towards ensuring that intermediaries have the requisite knowledge and experience of the products they sell and the advice they give. Client money could be protected by requiring quarterly certificates from the auditors.

Many of the real abuses in the industry could be easily eradicated by the Life Offices. (Most intermediaries and Lifs Office broker consultants know the abuses, and those who commit them.)

The costs of compliance, direct and indirect, for even the smallest intermediary, will be considerabls – the time consumed immense. Quite small businesses will have to provide quarterly and sometimes monthly returns which will require in most instances weighty and costly input from auditors. Systems will have to be introduced which show that "best advice" is not only being given, but is seen to be being given. (We are discussing here mainly small businessmen with cash flow problems, VAT problems, PAYE and employee problems. In the course of one week a businessman may have to supply his PAYE code, his VAT number, his Corporation Tax District code, his NHI number, his Consumer Credit Licence Number, details of his Data Protection Registration, and so it goes on.)

The Institute of Chartered Accountants is giving its members advice on the new obligations required from the auditors of intermediaries, and I cannot see that even the smallest business will escape with bills of less than £5,000 per annum. Also, audit/compliance work will inevitably gravitate to the first and second tier accountancy firms – frankly expensive for small businessmen.

The larger brokers are already making overtures to small brokers because they have recognised that many will not survive in the new regime. Lord Elton and John Grant of FIMBRA have been touring the country canvassing views from intermediaries, many of whom will probably be working for somebody else in two years time. Is this "being bedded down and accepted"?

Simply to blame the Act is not acceptable: Sir Kenneth should not shelter behind his role as "messenger". If he did not agree with the complexity of the terms of reference he should have said so and used his inflnence to change them. If, however, he feels the rules are fair and workable then similarly he should say so, and accept the consequences.

John McIntyre,
Accord Financial Services,
Dakota Building,
1 James Street,
St Pauls Square, Birmingham

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FINANCIAL TIMES

Monday March 21 1988

Janet Bush on Wall Street

Keeping track of indexes

THREE QUARTERS of all US fund managers, whatever their access to large and expensive research departments and whatever their flair for stock selection, fail consistently to beat the returns offered by the major stock indices.

This is a rather salutory fact for those in the brokerage market who believe it is possible to play the market more cleverly than the market itself, and lies behind the enormous appeal of indexed portfolios.

Figures provided by the bi-weekly Pension and Investment Age show that, as of November 30 1987, $161.4bn was managed in indexed portfolios by 29 major managers. Of this total, $107.4bn was tied up in equity-indexed portfolios, $43.7bn in fixed-income portfolios and $5.9bn in international portfolios.

This type of fund management shuns the idea of individual stock selection. Instead, a portfolio is built to replicate a chosen stock index – *such as the Standard & Poors 500* – and then track it as closely as possible, so capturing the usually superior returns of a broad group of stocks.

The whole question of trading baskets of shares has gained prominence since the October market collapse. A number of major reviews of the crash, including the huge report from the *Securities and Exchange Commission*, suggested thought should be given to developing the concept.

On cue, the Philadelphia Stock Exchange last week announced it had filed with the SEC for permission to trade an entirely new product called the CIP – a Cash Index Participation contract. This, if it proves workable, would offer the *individual investor*, even one with only a small amount of money to commit to the stock market, the alternative of investing in, for example, a basket of stocks directly instead of a through a mutual fund.

The CIP would trade exactly like an individual stock. It is a contract, but has no expiry date, and attracts a quarterly dividend. According to the Philadelphia Stock Exchange, which has been working on this idea for two years, an investor could buy a single CIP *for as little as $20*.

The CIP would provide the diversity and stability of a broad-based or index-based stock fund. It would also have the advantage that, while a broad investment in a mutual fund entails not only commissions *but also* management fees, CIPS would involve only commission.

Mr Frederick Plantz, quantitative analyst at Banc One Asset Management in Columbus, Ohio, finds the idea of the CIP exciting. "Indexing is here to stay and it is now spreading to the personal market... If these things work, they could really give mutual *funds a run for their money*."

In a separate development last week, Standard & Poors announced a major change in the way it constructs its index. At present, the index is made up of four rigid industry sector categories – industrials (400 stocks), financials (40), utilities (40) and transportation issues (20). As things now stand, if a utility, for example, was dropped from the index, it would be replaced by another utility. After April 6, Standard & Poors will have discretion about the kind of stocks dropped in and out of the index, allowing it to respond more flexibly to changes.

The S & P 500 index is not only widely used by fund managers, who replicate its constituent stocks in portfolios. It has also gained prominence because of the influence of arbitrageurs who take advantage of price discrepancies between the key S & P 500 futures contract and the constituent underlying stocks in the cash market.

Indexed fund managers are now waiting to see if the number of changes to the index increases, reflecting the new flexibility.

Mr Plantz commented that any increase in the number of changes would make the indexed fund managers job more difficult, although he did not see any impact on stock index arbitrageurs.

Mr Edgar Peters, senior portfolio manager at the Boston Co, said index funds which fully replicated the S & P 500 would probably not be significantly affected by the change. However, indexed portfolios which do not incorporate all 500 stocks, but which employ sector weightings, could find it more difficult to keep those weightings balanced if the make-up of the S & P 500 changed rapidly.

Unless Standard & Poors ushers in changes sensitively, indexed portfolio managers may have to display some of the ingenuity of those brokers who persist with the fine art of stock selection.

IADB loans drop sharply after funding dispute

BY ALEXANDER NICOLL IN CARACAS

LOANS advanced by the Inter-American Development Bank, Latin America's multilateral financing body, fell sharply last year, as a result of a long and damaging dispute over its future funding.

Starved of lending power by the two-year wrangle between the US and Latin countries over voting control, the IADB approved only $2.36bn of new loans in 1987, according to its annual report published today.

This was well below the $3.04bn of 1986 and the record $3.57bn of 1984.

Officials, meeting in Caracas over the weekend before the annual meeting which begins formally today, opted to defer discussion of capital replenishment *for several months*.

They felt nothing could be achieved until Mr Enrique Iglesias, recently elected as the bank's new president, had spelled out his ideas about its future direction.

Mr Iglesias, Uruguay's former foreign minister and a renowned diplomat, is due to address the meeting today. Hopes are high *that he will bring a new sense of* urgency and efficiency to the bank.

He is expected to bypass the bitter debate on voting, in which *the US and Latin countries hold* deeply entrenched positions.

The US has made its support of a capital increase conditional on being able to veto any new loan with the support of one other country. Latin nations, which currently have 54 per cent of the votes, have been prepared to accept a 40 per cent veto – the US plus two other executive directors on the bank's board.

Mr Iglesias is likely to seek a broad consensus on the aims of the bank before pushing to a final resolution of the funding question. He will find plenty of support for his general aim from both Latin and industrialised countries.

"This institution has drifted onto the rocks," said an official from one industrialised country. He voiced doubts about the effectiveness of the bank's loans and criticised its slow, bureaucratic procedures.

Mr Angel Gurria, Mexico's director of public credit, said it was "something worse than paradoxical" that the bank should have negative net transfers to Latin America.

According to the annual report, new loan disbursements were only $1.92bn, the lowest since 1983. This meant that net transfers were negative during a year in which Latin America's economic growth rate sagged to an estimated 2 per cent from an average of 3.8 per cent in the three previous years.

None of the four largest countries – Argentina, Brazil, Mexico, and Venezuela – achieved 4 per cent growth.

Despite a rise in the net inflow of capital estimated at $14.4bn by the United Nations Economic Commission for the region – higher interest rates in 1987 meant that overall net transfers of financial resources from Latin America remained negative, although lower than in 1986.

The drop in the IADB's new loans was accompanied by a sharp fall in the bank's own borrowings on international capital markets from $1.91bn in 1986 to $1.16bn. It is now very close to its permitted borrowing and lending ceilings.

Ceasefire talks will go ahead despite Sandinista offensive

BY ROBERT GRAHAM IN LONDON

DIRECT talks between the Nicaraguan Government and representatives of the US-backed Contra rebels are expected to go ahead today as planned despite the sharp escalation in regional tension caused by a major Sandinista offensive.

Over the weekend, Honduras continued to insist that Nicaraguan troops were inside Honduras and President Jose Azcona ordered a second bombing raid against Sandinista positions.

Also, elements of the 3,200 US combat troops airlifted to Honduras last week were moved closer to the border area but US military spokesman insisted they would not be engaged in battle.

The ceasefire talks are part of the Central American peace plan agreed last August in Guatemala by the five regional heads of government.

The Nicaraguan Government and the Contras have been going through elaborate manoeuvres to avoid real concessions. But both sides are under strong pressure to negotiate seriously and these talks could be decisive in determining the broader progress of the Central American peace plan and of a ceasefire inside Nicaragua.

Last month the Contras were denied further aid by Congress and they are now assessing the chances of renewed support in the light of the Sandinista offensive.

Congress' rejection of fresh aid requests for the Contras is believed to have been an important factor behind their current dry-season offensive. The CIA can no longer resupply the Contras inside Nicaragua by air, and therefore, with the latter's supply base weakened, the Sandinistas can enter negotiations more confidently.

By the weekend it appeared that most of the Sandinista troops that had crossed into Honduras to attack Contra bases had withdrawn.

The Honduran bombing raids appeared to be more symbolic than targeted. In the two raids a total of five bombs were dropped in the border area.

The Sandinistas protested over violation of Nicaraguan airspace but it appears little damage was caused.

The bombing occured near the main fighting in the remote north-east of the country near the confluence of the River Bocay with the River Coco.

US soldiers head for Palmerola Airbase after parachuting into Honduras

Report sought on 'savage' killing of British soldiers

Continued from Page 1

but several taxis that had been following the cortege blocked its escape. The crowd then attacked the car with bars and wrenches, dragging the two soldiers, both of whom had pulled out guns, from the vehicle. Out of sight of TV cameramen who had filmed most of the sequence of events, the soldiers were taken way, *stripped* and shot.

Mr Gerry Adams, the leader of Sinn Fêin, the IRA's political wing, said Saturday's events had all the hallmarks of an undercover operation of the elite Special Air Service (SAS). "It was absolutely irresponsible of their political masters to send those two unfortunate men into that situation," said Mr Adams.

"I regret their deaths just as I regret each and every death in this conflict."

In the past seven days nine people have died in varions attacks in Northern Ireland. Five of those had nothing to do with *the conflict but were caught* up in the maelstrom of renewed violence which threatens to engulf the province.

Fr Tom Toner is parish priest at St Agnes's church in West Belfast. Earlier this week he officiated at the funerals of two of the three IRA members shot dead by the British Army in Gibraltar. On *Saturday he tried to comfort the* two dying soldiers.

"People here are numb. People here are in shock. I saw them in tears at what had been done," said Fr Toner.

The RUC recently decided to stay away *from Republican* funerals after criticism of what were described as past heavy handed tactics. It will now clearly have to reassess that decision, although Sinn Féin still insists that police stay away.

Unionist politicians have questioned why it took police so long to reach the scene of Saturday's events. The leader of the Official Unionists, *Mr James Molyneaux*, has said 500 members of the security forces were on duty around West Belfast and a helicopter that hovered overhead could see all that happened, yet up to 15 minutes elapsed before police arrived a the scene of the soldiers' murders.

Mr Ian Paisley, the leader of the Democratic Unionist Party, has said both Mr King and the head of the RUC, Sir John Hermon, must resign.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	61	Dubrovnik	S	11	52	Malta	C	16	61	Rhodes	S	12	54
Algiers	S	22	72	Edinburgh	F	12	54	Manchester	C	10	50	Rio de Jo	-	-	-
Amsterdam	C	10	50	Faro	S	19	66	Manila	F	35	95	Rome	F	15	59
Athens	F	10	50	Florence	C	15	59	Melbourne	F	20	68	Salzburg	R	7	45
Bahrain	S	26	79	Frankfurt	F	14	57	Mexico City	F	28	82	San Francisco	F	9	48
Bangkok	S	35	95	Funchal	S	19	66	Miami	C	10	50	Seoul	F	10	50
Barcelona	S	16	61	Geneva	C	16	61	Milan	S	13	55	Singapore	F	33	91
Beirut	F	19	66	Gibraltar	S	19	66	Montreal	Sn	-8	18	Stockholm	F	4	39
Belfast	F	11	52	Glasgow	C	12	54	Moscow	S	2	36	Strasbourg	F	17	63
Belgrade	S	9	48	Guernsey	C	9	48	Munich	C	13	55	Sydney	S	24	75
Berlin	C	6	43	Helsinki	C	-3	27	Nairobi	F	28	82	Taipei	R	17	63
Biarritz	R	20	68	H Kong	R	16	61	Naples	S	16	61	Tangier	S	23	73
Bombay	S	32	90	Innsbruck	F	10	50	Nassau	F	24	75	Tel Aviv	C	20	68
Bordeaux	F	15	59	Inverness	R	11	52	New Delhi	S	23	73	Tenerife	S	20	68
Brussels	C	13	55	Islamabad	C	20	68	New York	F	4	39	Tokyo	F	10	50
Budapest	F	8	47	Istanbul	F	8	46	Nice	S	15	59	Toronto	F	-10	14
B Aires	S	27	81	Jakarta	-	-	-	Nicosia	F	19	66	Tunis	C	19	66
Cairo	F	20	68	Jersey	C	11	52	Oporto	F	16	61	Valencia	S	20	68
Cape Town	S	21	70	Jo'burg	F	25	77	Oslo	Sl	1	34	Venice	F	11	52
Caracas	C	27	81	Lima	F	26	79	Paris	F	13	55	Vienna	Sl	1	34
Casablanca	S	23	73	Lisbon	S	18	64	Peking	F	5	41	Warsaw	S	3	37
Chicago	F	-6	21	London	R	11	52	Prague	C	2	36	Washington	F	3	37
Cologne	C	11	52	Los Angeles	C	17	63	Reykjavik	C	-2	28	Zurich	C	11	52
Copenhagen	R	3	38	Luxembourg	C	10	50								
Corfu	S	13	55	Madrid	S	19	66								
Dallas	-	-	-	Majorca	S	16	61								
Dublin	C	11	52	Malaga	S	23	73								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Israelis warn Saudis on missiles

By Andrew Whitley in Jerusalem

SAUDI ARABIA'S purchase of Chinese-made surface-to-surface missiles with a range of more than 2,000 miles has prompted demands from Mr Yitzhak Shamir, Israel's Prime Minister, for their immediate removal, coupled with warnings from senior Israeli officials that their launch sites could be bombed.

Mr Shamir, now in New York at the end of a week-long official visit to the US, raised the issue with the Reagan Administration during talks in Washington last week, Israeli officials confirmed yesterday.

The officials also indicated that Israeli concern has been heightened by the "war of the cities" missile barrages being waged by Iran and Iraq.

In a blunt warning of the seriousness with which the *Prime Minister views* the issue, a senior aide said on Israel Radio yesterday: "Israel has acquired a reputation of not waiting until a potential danger becomes actual." In 1981, Israeli warplanes made a surprise long-range strike against an unfinished Iraqi nuclear reactor, destroying the facility.

The missile issue and the remarks of Mr Yossi Ben-Aharon, Director-General of the Prime Minister's Office, were *discussed at yesterday's* meeting of the Israeli Cabinet. Mr Moshe Shahal, the Energy Minister, criticised the Prime Minister's aide over his public warnings.

On Friday, the US State Department confirmed newspaper reports of Saudi Arabia's acquisition of the missiles, designated the CSS2 and believed *to be capable of carrying* nuclear warheads. But Mr Charles Redman, the spokesman, said the US had been reassured by both China and Saudi Arabia that they had no plans to arm the missiles with nuclear tips.

In another graphic indication of the independent foreign policies being pursued by the *two rival branches of the coalition* Israeli Government, the Labour-led Foreign Ministry is taking a much more sanguine view of the brewing "Saudi missile crisis" than its more hawkish Likud partner.

"We're not jumping into a war with China," said one senior official, acknowledging that Israel's interest in the re-establishment of diplomatic relations with Peking, in the context ofthe Middle East peace process, was complicating the issue.

The official said Israel was seeking more information on the subject, but viewed reports of the missiles' nuclear capability as exaggerated.

This low-key response from the Foreign Ministry can be contrasted with the all-out lobbying usually launched by Israel and its Jewish American *allies over any potential acquisition* by a hostile Arab country of a significant new weapons system. According to *yesterday's Jerusalem Post*, Mr Shamir was told by the US officials that the Chinese missiles had already been deployed. He was said to have asked Washington to intervene with China and Saudi Arabia.

Amman Islamic conference and US-PLO relations, Page 3

US-Soviet talks face problems

By Our Foreign Staff

PRE-SUMMIT talks which open tomorrow in Washington between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, US Secretary of State, will be held against the background of "serious problems" in drafting e treaty to scrap 50 per cent of US and Soviet strategic nnclear weapons.

Mr Alexander Bessmertnykh, a deputy Foreign Minister, said at the weekend Moscow was *especially disappointed over the* stance of the US delegation at the Geneva strategic arms talks.

He charged that on a number of major elements regarding adherence to the Anti-ballistic Missile Treaty signed in 1972, the US was trying to return to a position it held before the Washington summit last December.

However, Mr Shultz said yesterday that a strategic arms treaty with the Soviet Union before a superpower summit expected in May was still possible.

"I think it's possible, but I think it's very hard work," he said in a television interview hours before Mr Shevardnadze was due in Washington for a second round of monthly pre-*summit meetings*.

President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, said at their last summit in Washington in December they wanted to sign a treaty halving strategic arsenals

After Mr Shultz and Mr Shevardnadze met in Moscow last month, both sides were cautiously optimistic about the prospects of an accord. But Mr Reagan told the Washington Post recently there was not enough time to finish the pact.

Subsequently it was explained that the President meant the success of a summit did not depend on a strategic treaty-signing.

British bank plans takeover

Continued from Page 1

annual report, it said it would have "a special kind of service to offer to the personal, smaller and medium sized corporate sectors" of the US market.

Oddly, however, the sama annual report *said* that a US acquisition was not seen as "a matter of crucial importance in the shorter-term."

Founded in the 1820s, Citizens Financial was originally a mutual savings bank which converted *into a shareholder-owned* company in 1985. With total assets of about $2.6bn, it has a book value of about $310m.

Although operating mainly in Rhode Island, it also recently expanded into the Deep South by buying a mortgage bank

THE LEX COLUMN

Trying to shrug off the past

Global investors who took fright after last October's stock market crash and decided to move into 1988 with a heavier emphasis on cash and bonds, are beginning to look as if they have backed the *wrong horses. Most* of the world's equity markets have staged fairly impressive recoveries in the opening months of the new year and, unless there *is* a sharp setback over the next two weeks, those brave investment managers who stuck with equities are likely to have demonstrated far better investment returns in the first quarter than their more nervous colleagues who opted for cash or fixed income securities.

The one-fifth rise in the Tokyo stock market – which is now back to within 2½ per cent of its all-time high – is far and away the most important performance, but London and New York have both risen by around 8 per cent so far this year. The stock markets of Belgium, Holland, Sweden and Spain are showing gains of between a fifth and a third, and the larger Continental bourses are also showing healthy rises. Leaving out Japan, the FT-A World index has risen by 8 per cent in dollar terms so far this year, compared with a 2.4 per cent rise in all of 1987. Indeed some fund managers feel, rightly or wrongly, that last October may have marked a low point for the world's equity markets.

There are a number of reasons for the sharp bounce in equity *markets. The three major Continental* bourses fell far more heavily than London or New York last year, and were in relative terms plainly undervalued at the start of 1988. In addition, worldwide economic growth continues to be far more robust than expected, prospects of an early recession seem to be receding and profit forecasts are once *again being raised*.

But while there has clearly been a revival in worldwide investor confidence, it remains thinly based. The problems which precipitated last October's stock market crash – most notably the massive US budget and trade deficits, - have, not gone away. The immediate economic impact of the crash appears to be *far less* than once feared, but while concerns about the dollar and economic growth still lurk in the background, the equity markets' new-found confidence may prove brittle.

La Générale

A ringside position for the opening of the European market in four years' time is undoubtedly worth something. Yet whether it is worth the 50 per cent premium to asset value that rival bidders have paid for their deadlocked stakes in Société Générale de Belgique is looking increasingly doubtful. If next month's showdown between the equally matched De Benedetti *and Suez factions results in* a compromise so stultifying that effective management of the company's assets is ruled out, La Générale will be worth little more than the 20 per cent discount to assets that the market always considered appropriate.

Already the bid has imposed high costs on both sides. While the complexity of the De Benedetti *empire* makes it hard to assess the discomfort from financing his total maximum stake of £1bn, it cannot be negligible. Even though *last* week's surprising news of the sale of Buitoni was apparently unrelated to the La Générale stake, the £780m proceeds will clearly come in handy. Meanwhile, Suez's FF4.8bn convertible issue last week tells even *more clearly of strain. By playing* the friend to La Générale, Suez has been forced to raise money in a difficult market to fund a purchase that will dilute both earnings and assets. Moreover, as the company was already in need of capital, its investment in La Générale may be to the detriment of its own businesses. The apparent tolerance of Suez's shareholders suggests that those French institutions which were barred from last year's flotation are still willing to mop up the shares of the disenchanted.

It may also be more difficult for Suez than for De Benedetti to justify paying so much for La Générale shares. Given its position as the protector of Belgian interests, Suez is badly placed to carry out the disposals need to bring order to the untidy group, while it also lacks the depth of management to make the assets work harder. Benedetti is probably equal to both tasks, and if he can somehow emerge from next month's EGM with management control, the deal might just turn out to be not such a bad one. Given the extent of the underperformance at La Générale's 1,200 companies, it might be possible to put half as much again on the value of the group's assets within a couple of years. *In that case*, the 50 per cent premium would begin to look more sensible, and the strategic advantage – which after all is what all the fuss is about – would be thrown in for almost nothing.

Brazilian funds

Hope springs eternal in the *fund management game*. Over the years several attempts have been made to lure foreign investors into the Brazilian stock market and although almost all have ended disastrously, several fund managers, led by PaineWebber, First Boston and Foreign & Colonial, are about to have another go at trying to persuade European investors to dabble in what must *be the world's* most hair-raising stock market.

As an investment concept, Brazil has a definite appeal. It is the eighth biggest economy in the world, has a population far larger than Japan, and a growth potential and resource base which dwarfs that of countries such as Spain, Korea and Taiwan – the current darlings of the smart *global investor*. Brazil *today* is often likened to the US a century ago. Unfortunately, it has more than its fair share or problems, ranging from roaring inflation to an unstable political situation and a highly inefficient economy. Finance ministers and central bank governors come and go with rapidity, and the stock market's recent performance – its *market capitalisation fell from* $90bn to $13bn in the 18 months to end 1987 – would make any casino look positively dull.

To be fair, the above managers do not attempt to hide Brazil's obvious defects. However, they argue that after its recent collapse the Brazilian market is selling on a modest four times 1987 earnings and about 25 per cent of *book value. And even if this does* not sound immediately attractive, it might be worth putting a small amount of money into Brazil on the grounds that one day a miracle might happen and the country's stock market begins to behave like Tokyo.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday March 21 1988

THE MAGICAL WORLD OF POLYMERS
Vita
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INTERNATIONAL BONDS

Eurodollar FRNs remain aloof from US banking troubles

BY CLARE PEARSON IN LONDON

BAD NEWS about US banks does not bother Eurodollar floating rate note dealers the way it used to.

They have been able to stop worrying because many of them have simply given up trading that substantial portion of the $150bn FRN market which is most vulnerable to plunges in banks' credit ratings – the sector for fixed-term subordinated and perpetual bonds.

Not surprising, then, that last week's news that the US Government was having to work out a rescue operation for First RepublicBank, the largest bank holding company in Texas, while a $1.5bn bail-out for First City Bancorporation of Houston was floundering on resistance from creditors, did not send prices of affected bonds shooting down.

"I think I last saw one of the subordinated issues change hands at about 37," said one dealer. "But I can't remember when."

The Dallas banking sector, of course, has particular problems of which dealers have long been aware. But last week also furnished broader evidence of the drying up of professional dealing in subordinated bank debt.

On Monday, more houses followed an initiative taken by J.P. Morgan Securities about 10 days before and announced they would give up market making in all subordinated paper.

This withdrawal by nearly half the market makers in the sector was seen as merely a public confirmation of a development that had been in train for some time. Nevertheless, it underlines just how profoundly and quickly the market has changed.

Two years ago, all types of issues were being traded on tight spreads and were promoted as alternatives to money market instruments.

As far as the subordinated issues are concerned, the rot really set in at the end of last year, with the publication of proposals for an international unification of standards of capital adequacy for banks.

This raised the possibility that Japanese banks, the largest buyers of subordinated notes, would have to deduct a proportion of their holdings from their own capital.

But worries about capital adequacy requirements had already taken their toll on the market about a year before, playing a large part in the collapse of dealing in perpetuals, which have no maturity dates and were issued by banks to raise capital, in December 1986.

It is hard to imagine now how the new issues market for subordinated bonds could be reopened, although the State Bank of New South Wales has in fact been able to raise $250m worth of capital with a new issue in recent months. But this was a special case, since, in the eyes of investors, it ranked as senior debt, but a special arrangement with the Australian authorities enabled the bank to count it as capital.

In recent months banks have been finding other ways of raising subordinated debt, away from the FRN market place. In particular, they have been placing issues privately with Japanese leasing companies.

This development, however, provided new shocks for FRN market makers because of the difference between the interest rates banks were paying in the private placement market and the levels at which public FRNs were being quoted.

The going rate on a private placement of subordinated bonds has been ½ percentage point, or more, over London interbank offered rate. But comparable issues in the secondary FRN market were trading about a month ago at only about 35 basis points over Libor.

This led to abrupt falls in secondary market prices to adjust the margins upwards by about 10 basis points.

As well as the private placements, a steady stream of FRNs created by swapping, and packaging up, the "rump" bonds that accompany issues of Japanese equity warrants bonds has also used up some of the demand for higher-yielding floating rate assets that might otherwise have been directed towards subordinated FRNs in recent months.

The houses that have opted out of professional trading in subordinated issues now aim to act as brokers in them, bringing together client orders as they arise from time to time – although they agree that retail interest is minimal at current yield margins. The 10 or so houses that are still quoting prices are now doing so on a ½ percentage point bid-offered spread, as opposing to the 10 basis points that used to be standard.

The closure of the subordinated bank sector takes away a substantial portion of the $150bn FRN market. However, that still leaves the market for senior bank debt, and the sovereign FRN sector.

Problems with subordinated issues had a "knock-on" effect on senior bank debt last year, especially as concerns about banks' exposure to Latin American debt resurfaced. However, senior issues have been relatively robust: dealers say they still trade fairly actively in sizes of $3m a side on a 10 basis point spread.

Meanwhile, the sovereign FRN sector is still a model of liquidity. The biggest issue, a $4bn FRN for the United Kingdom, changes hands in sizes of $5m on a three basis point dealing spread.

There would in fact be ample opportunity for a sovereign to issue a new FRN. But there is little prospect of new supply coming into the market so long as borrowers can obtain much cheaper funds by swapping out of fixed rate issues.

Meanwhile, the sterling floating rate note market – which has always been seen as something of a cottage industry – has bucked the trend of the dollar FRN sector. It has been becoming more rather than less liquid recently, dealers say.

This is because investors are much happier with the names in the sterling FRN market than in the dollar sector. UK building societies make up the bulk of the market, which has also seen issues for French banks and state agencies, and some UK banks. It comprises very few subordinated issues.

True, a number of US houses, such as Merrill Lynch and Salomon Brothers, have recently dropped out of the sterling sector. But other new entrants have taken their place, and the UK merchant banks say they are enjoying brisk business.

Yield margins on most building society FRNs have been narrowing recently. They are regularly quoted to customers on a three-to-five basis point spread in sizes of £5m, and sizes of £1m between professionals.

Elsewhere, last week's Eurobond new issues market was dominated by the Canadian dollar sector, which some dealers now expect to enjoy the popularity last year's market assigned to the Australian dollar market: the number one favourite with Continental retail investors.

Deals totalling $900m were launched in the course of the week without any signs of market indigestion. The sector appears well underpinned by the strength of the Canadian dollar and the high coupons – which run to double-digits in the longer maturities – the bond market provides.

However, the flatness of the C$ yield curve means that shorter-dated bonds are being much better received than deals with maturities of beyond five years. This seemed to be behind the lacklustre response to seven-year bonds for Michelin and Toronto Dominion Bank last week.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,778.2	67.3	545.0	7,011.0
Prev	2,048.3	241.8	462.1	6,469.5
Other	4,381.9	0.3	0.0	1,994.2
Prev	1,615.8	15.1	298.3	818.1
Secondary Market				
US$	18,696.9	1,838.4	7,918.5	5,275.5
Prev	20,056.5	2,265.5	5,565.9	4,815.1
Other	19,754.6	1,012.7	3,478.6	21,866.9
Prev	17,720.3	947.6	3,485.9	21,029.8

	Cedel	Euroclear	Total
US$	11,266.1	33,864.7	45,130.8
Prev	11,313.4	30,608.5	41,921.9
Other	21,664.0	30,825.2	52,489.2
Prev	19,289.9	26,641.0	45,930.9

Week to 17, March 1988 — Source: AIBD

Thorn-EMI leads UK borrowers back with £400m financing

BY STEPHEN FIDLER IN LONDON

BRITISH COMPANIES, led by Thorn-EMI with a £400m standby financing, were back in force last week in the international loans market.

National Westminster Bank and Barclays de Zoete Wedd are arranging the seven-year multi-option facility. It carries a facility fee of 7½ basis points on the so-called available portion and 5¾ basis points on the unavailable part. A maximum of 50 per cent can be designated unavailable.

The margin if drawn is 12½ basis points over London interbank offered rates, and there is a utilisation fee of 2½ basis points if more than half drawn.

After the announcement of the £150m financing being arranged by SG Warburg for Reuters, another borrower with scarcity value has decided to call on the market – Wellcome, the pharmaceuticals group.

Baring Brothers has been mandated to arrange this £300m tender panel facility, of which £200m will be underwritten. The seven-year financing carries an underwriting fee of 6¼ basis points. A margin over Libor of 12½ basis points is payable on the first £100m of drawings and 15 basis points on the remainder.

Terms were disclosed on several previously mandated deals, including the £200m standby being arranged by Warburg for Mortgage Asset Eurosecurities, a vehicle company set up to issue Eurocommercial paper to finance UK house mortgages originated by Canadian Imperial Bank of Commerce. It carries a margin if drawn off 50 basis points over Libor, and an underwriting fee of 18¾ basis points.

The $150m deal for Australian Gas Light, the monopoly natural gas supplier into New South Wales, carries a 7½ basis point margin on the $100m committed portion if drawn, with a 5 basis point utilisation fee if more than half used. The five-year facility carries a 9 basis point fee for the available portion and 6 basis points on the unavailable, a maximum of 50 per cent.

County NatWest is arranging that deal and a £75m, five-year financing for Rosehaugh, the UK property concern. This carries a 9 basis point underwriting fee and a margin on drawings of 15 basis points, with a utilisation fee if more than half drawn of 5 basis points. There is also a swing-line, which would pay the higher of base rate plus 1 per cent, or Libor plus 15 basis points.

N. Brown, the Manchester-based direct mail order group, is raising a £50m facility through N.M. Rothschild, of which £30m will be underwritten.

The facility, initially for three years but with an "evergreen" option which allows it to be extended, carries a 10 basis point facility fee, a margin of 15 basis points over Libor, and utilisation fees of 5 basis points if more than 33 per cent drawn and 7½ basis points if more than 67 per cent drawn.

Banco Português do Atlântico has mandated Indosuez to raise a $50m five-year credit, which carries a margin of 18¾ basis points over Libor.

In the commercial paper markets, Lloyds Bank Capital Market arranged a £110m sterling and Eurocommercial paper programme for the London and Edinburgh Trust. Dealers are Lloyds and Kleinwort Benson.

Merrill Lynch has arranged a $50m ECP programme for the National Bank of Hungary, on which it is the sole dealer.

Of deals sewn up, Crédit Suisse First Boston completed a £150m five-year facility – £125m of which was committed – for London International Group, the UK's leading condom manufacturer.

This is because investors are much happier with the names in the sterling FRN market than in the dollar sector. UK building societies make up the bulk of the market, which has also seen issues for French banks and state agencies, and some UK banks. It comprises very few subordinated issues.

Olivetti to challenge Amstrad's UK niche

By David Thomas in London

A FIERCE BATTLE for control of Britain's booming low-cost personal computer market is looming following Olivetti's decision to enter the fray in competition with Amstrad, the British group which revolutionised the UK market with its low-cost machines.

Dixons, the UK retailer which dominates the retail personal computer business, is due to announce soon that it will stock the Italian company's machines, breaking Dixons' almost complete dependence on Amstrad for its personal computer sales.

Amstrad is to fight the Olivetti challenge and is confident that the Italian company will not dent sales of its personal computers, which have greatly expanded the British market since Amstrad launched its first range in 1986.

In 1987, according to provisional figures from Romtec, a market research group, Amstrad sold 109,000 personal computers in the UK, giving it market leadership in volume terms.

Until now, Olivetti has sold only middle to high end personal computers in Britain, where it has been one of the most successful companies after IBM, the leader of that market segment.

Dixons is about to offer three models in Olivetti's low-cost PC1 range, which it unveiled in Italy last July. Mr Alan Dickinson, Dixons's senior computer buyer, said they would be aimed at the home and education markets.

It is crucial for Amstrad to keep its grip on the British market in order to give it a stable base from which to pursue its new strategy of building up overseas sales. Amstrad already claims market leadership in volume sales of personal computers in France and Spain.

Mr Alan Sugar, Amstrad chairman, predicted his sales would be unaffected by the Olivetti machine, which he described as a "pregnant calculator".

All these securities having been sold, this announcement appears as a matter of record only.

New Issue *March, 1988*

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March, 1988

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

More questions than answers from Budget

IF A GILT-EDGED securities investor had not spent the past week in Britain but was, say, safely ensconsed on another island in slightly warmer climes, he would be hard-pressed to divine what had happened over the last week from a snapshot of the gilts market.

He would have left the Friday before last with the market for longer dated gilts at about 9.20 per cent and at the best end of the market's month-long trading range. By the close of trading on Friday the Treasury 11¾ per cent 2003/07 were quoted at 119¾ to yield 9.28 per cent – towards the top of the range.

The reaction of UK financial markets to the Budget has been mixed, to say the least. Domestic institutional investors did not judge it as an unambiguous buy signal and last week'a mark-up in equity prices appears to have been market-maker led.

In the gilts market, although the Bank of England's £800m tender stock was taken up by the end of the week, the market for longer-dated gilts reacted similarly to the way it did with the December cut in interest rates. Prices for longer dated gilts fell, they did not rise, as theory suggests they should have, on news of Thursday's base rate fall.

The market had placed great store on the Budget. It was hoped it would clear up the worries it had about domestic economic conditions overheating while, at the same time, clearing up the confusion generated in the week before the Budget over the Government's exchange rate/monetary policy.

The size of both the public sector debt repayment (£3bn) and the tax cuts (£4bn) took the market by surprise. Both, in equal measure underline the superb technical backdrop to 1988/89 (that is few gilts to be sold) and the uncertain economic outlook.

Many independent economists find Treasury forecasts for the economy broadly credible. It seems clear, however, from the way the market moved in the days after the Budget that, given the size of the tax cuts, it doubts the Treasury's inflation forecast (a ¼ a percentage point lower at 4 per cent from the autumn statement) and its upwards revised current account deficit forecast (up by £500m to £4bn from the autumn statement).

The Treasury has also forecast a continuation of the "supply-side miracle," with a substantial 11½ per cent increase in manufacturing investment envisaged for this year. If this is achieved then a lot of the market's current worries about overheating could prove baseless, but it is well to remember that the Treasury factored in a 6 per cent increase in manufacturing investment to its forecasts for 1987 and achieved a 3½ per cent out-turn.

With the Budget posing more questions than it appeared to have answered the market was not left much better off with what the Chancellor had to say about monetary policy. Actions may speak louder than words, but it was words not actions the market wanted.

Being left with actions how does one interpret them? After the authorities allowed sterling to rise above DM3 officials suggested that the days of a single round-figure target for sterling ware over, although exchange rate stability was still the policy. If that is so, suggestions by some commentators that DM3.10 is the pound's new ceiling should be treated with caution.

Against this has to be measured the Chancellor's unambiguous commitment to an anti-inflationary stance and exchange rate stability. It may also be that base rates at 8½ per cent with sterling around DM3.10 represents a net monetary tightening compared with base rates at 9 per cent and sterling slightly below DM3.

It is also suggested that it was the magnitude of sterling's rise against the D-Mark during Far East trading on Thursday – a more than 2 pfennig rise – that prompted the authorities to cut base rates rather than sterling rising through DM3.10.

If exchange rate policy is still symmetrical then that implies interest rates will fall and rise to maintain a desired level for the pound. There are limits to such a mechanistic policy and it is noteworthy that the Chancellor has not completely foresworn the use of intervention. He said late last week it will still be used in "special circumstances".

Two weeks into the new era the operation of policy now more than ever resembles a concertina. And the tune remains the same - exchange rate stability.

Simon Holberton

US MONEY AND CREDIT

Treasury bonds fail to find sustenance

IT WAS a depressing week for US Treasury bonds. Traders and investors spent most of it being cautious ahead of the trade figures. These were better than expected and the market sputtered into some form of life with a ¾ point rally.

Then it collapsed.

Bond prices have been drifting disconsolately for some time and fears that the October crash would prove to be nothing but a minor dampener on the US economy have been around for some weeks. There has been precious little evidence recently of the recession which bond traders had been hoping for.

The last fortnight has rooted out the group of people who were still hoping for a significant downturn in the economy which would justify a cut in interest rates. What appeared to happen last week was that a new group formed which had started to worry about higher interest rates.

Yet, only four months or so since Black Monday, the overheating argument is gaining ground. And, only one day after some reasonably encouraging (though not dramatically so) trade figures, the market was given a focus for these concerns in the form of the US Federal Reserve's "tan book."

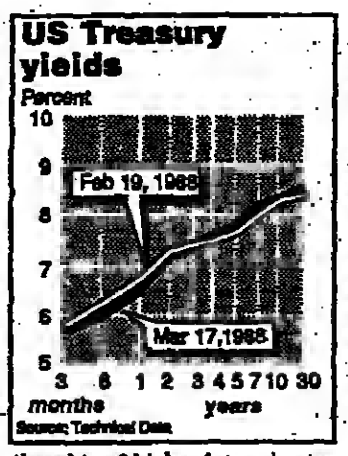
This summary of reports from the 12 Federal Reserve regional banks is used as key reference material at meetings of the Federal Open Market Committee (FOMC). Much of its detail was disseminated around the bond market last Friday, and was mainly responsible for pushing longer maturities down by as much as 1¼ points. The Treasury's benchmark 8.875 per cent long bond closed with a yield of 8.68 per cent, its highest level since the end of January.

The report made worrying reading for the bond market, ever sensitive to any signs of a potential resurgence of inflation. The message was clear. The US economy continued to expand at a moderate pace, sustained by strength in manufacturing. That robustness in the economy was, in the eyes of Fed regional officials, was leading to price increases and increasing capacity constraints in some sectors.

Employment, as February's figures showed, continues to expand - except, the Fed said in the auto industry around Chicago and St Louis and in New York's financial sector.

When the FOMC meets on March 29, this is not the kind of thing which will persuade it that interest rates need to be cut. The question now is: will the Fed tighten?

The answer must be that



Source: Technical Data

thoughts of higher interest rates are premature. Given the proximity to the crash, the Fed will be ultra-cautious about any tightening of policy. While urging vigilance about any renewed upsurge in inflation, Mr Alan Greenspan, Fed Chairman, still spoke of the need to support economic growth in his testimony last week. A fine balance is still being struck.

Another argument against tightening policy in the very short term is the emergence of deep trouble in the Texas banking community which elicited a $1bn bail-out for FirstRepublic Bank of Dallas last week. The Fed spent much of last week flooding the banking system with liquidity to ensure the needs of one or two distressed Texas institutions were met. The support package for FirstRepublic was sweeping in its scope.

Nevertheless, the signs have not been good for the bond market. Oil prices have been rising steadily. Last week saw a jump in the price of gold (who knows how related to the Administration's sudden decision to send troops into Honduras and how related to the recent vulnerability of the dollar?). And the Commodity Research Bureau's index of futures prices - whatever its accuracy as an indicator - continued to climb.

In the midst of all this, there was naturally a measure of nervousness about the auctions of two- and four-year notes on Wednesday and Thursday and, further down the line, the May Treasury refunding.

* * * * *

This week sees the publication of several key economic statistics which should further develop the view of the bond market on the economy. With them are consensus forecasts compiled by Money Market Services of Redwood, California:

● Durable goods orders (Tuesday) are expected to have risen by 0.6 per cent in February.

Around this consensus, there is a wide range of forecasts from a fall of 0.5 per cent in orders to a rise of 3.8 per cent.

● Gross National Product (Wednesday). GNP is expected to have grown by around 4.5 per cent in the final quarter of last year. Estimates range from growth of 4.2 per cent to 5 per cent.

● Consumer Prices Index (Wednesday). The consensus forecast for the CPI in February is for growth of 0.2 per cent with the range of forecasts coming in at zero growth to a rise of 0.3 per cent. Given the emergence of fears of higher inflation, these figures are likely to be closely watched by the bond market.

● Corporate profits (Wednesday) for the final quarter of 1987. These are expected to have grown at an annualised rate of 14.4 per cent, according to Money Market Services.

● Personal income and consumption (Thursday) for February. Income is expected to have risen by 0.6 per cent with the range of forecasts from a rise of 0.1 per cent to a gain of 1.3 per cent. The consensus forecast for consumption is for a rise of 0.6 per cent, with estimates ranging from a rise of 0.1 per cent to an increase of 0.9 per cent.

Janet Bush

Elsevier ahead on acquisition

By Laura Raun in Amsterdam

ELSEVIER, the second-largest Dutch publisher, boosted earnings by 33 per cent last year as a result of the acquisition of a big stake in its arch rival, Wolters Kluwer, and because of greater efficiencies. A 44 per cent higher dividend of Fl 1.15 per share was declared for 1987.

Elsevier said it expected profits, both in absolute and in per-share terms, to grow again this year. Net income rose to Fl 163m ($87m) last year, from Fl 123m in 1986, fuelled by a Fl 26m contribution from its 32.5 per cent stake in Wolters Kluwer.

The large minority holding resulted from Elsevier's hostile takeover attempt of Kluwer, which ended up in the hands of Wolters Samsom.

Per-share earnings advanced by 22 per cent, from Fl 2.51 to Fl 3.06, due to 9 per cent more shares. The bid for Kluwer was financed with new shares.

Greater efficiencies offset lower revenues, with operating costs down by 10 per cent. Operating profits climbed by 16 per cent, to Fl 239m, from Fl 206m. Turnover fell 6 per cent, to Fl 1.47bn from Fl 1.57bn, in part due to the strong guilder.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.54	6.54	6.44	7.78	6.18
Three-month Treasury bills	5.67	5.73	5.64	7.17	5.25
Six-month Treasury bills	5.84	5.89	5.75	7.65	5.42
Three-month prime CDs	6.45	6.43	6.45	8.28	6.18
30-day Commercial Paper	6.55	6.52	6.54	7.65	6.18
90-day Commercial Paper	6.65	6.60	6.68	8.65	6.13

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks. ago
Seven-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New 10-year "AA" Financial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New "AA" Long utility	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New "AA" Long industrial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Salomon Bros (estimates).

Money supply: In the week ended January 11, M1 rose by $684m to $755.4bn.

NRI TOKYO BOND INDEX

December 1983 = 100	17/3/88	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	145.18	4.36	142.97	140.29	133.73
Government Bonds	144.35	3.97	143.88	140.98	133.69
Municipal Bonds	144.56	4.77	144.43	141.59	133.14
Govt.-guaranteed Bonds	145.96	4.71	142.61	142.88	134.84
Bank Debentures	137.63	4.37	136.98	135.14	131.46
Corporate Bonds	142.41	5.56	142.28	139.42	134.53
Yen-denom. Foreign Bonds	142.79	4.62	142.41	140.28	134.52
Government 10-year†	4.89		4.89	5.02	6.18

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant yld = exercise yield at current warrant price. Closing prices on MARCH 19

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Bindura Nickel boosted by prices rise

By Tony Hawkins in Harare

BINDURA NICKEL of Zimbabwe has announced a turnround in its fortunes, largely attributable to the steep rise in nickel prices over the past nine months.

Bindura, owned by South Africa's Anglo American group, made an operating profit of Z$5.3m (US$3.1m) last year, compared with an operating loss of Z$6.7m in 1986. This is despite an interim 1987 deficit of Z$11.9m, at which stage the group announced plans to phase down operations at its four mines. This was swiftly followed, however, by a sharp upturn in nickel prices.

Earnings were boosted also by e rundown in stocks and a 15 per cent increase in sales volumes to 11,408 tonnes. However, interest charges left the company still with an overall loss of Z$4.9m, although this was sharply reduced from the previous Z$16.9m deficit.

In mid-1987, Bindura was engaged in serious talks with the Zimbabwe Government over a rescue package designed to keep the mine open. Last July, BNC announced that it was suspending all ore development and drilling, but the company was rescued by the nickel price recovery before egreement could be reached with the Government on a financial support package.

Drilling and ore development has been resumed at all four mines. Bindura says it expects to return to profitability and reduce its borrowings during 1988, provided nickel prices hold up.

Last year, it reduced its debt to Z$68.7m from more than Z$100m, largely through the conversion of Z$40m of loans into 10 per cent preference shares.

Kirin growth down to trickle

GROWTH AT Kirin Brewery, which makes more than half of all beer drunk in Japan, has slowed to a trickle, as competition intensifies, writes Our Financial Staff.

Pre-tax profits for the year to January edged up 1.9 per cent to Y80.8bn ($628m) from Y79.3bn after recent annual increases nearer 10 per cent. Sales were up 3.7 per cent to Y1,266bn.

Setback at Bayerische Vereinsbank

BY HAIG SIMONIAN IN FRANKFURT

PARTIAL OPERATING profits at Bayerische Vereinsbank, the biggest bank in Bavaria, fell by 10.5 per cent at parent bank level, to DM601m ($358m) last year. Total operating profits, which were not disclosed but included gains from own-account trading, fell by about 20 per cent.

However, after-tax earnings at the bank were little changed, at DM186m, against DM188m in 1986, and it is paying a renewed DM13 dividend on ordinary shares. After-tax earnings for the group fell by just over DM40m, to DM235m.

Bayerische Vereinsbank's results, which open this year's reporting season for big German banks, confirm the downward trend likely to be repeated across the board, owing to the need to write down securities holdings after the October crash.

However, the bank has actually reduced write-downs, to DM181m, against DM271m, thanks largely to much lower provisioning needs on the credit side. "We have done everything we could in recent years on the provisions side," said Mr Maximilian Hackl, the chief executive.

The relatively small decline in the bank's earnings also reflected the strength of its thriving mortgage-lending business, especially in Bavaria. All three mortgage-lending subsidiaries raised their profits last year.

Last year's 8.1 per cent increase in management costs was the main culprit behind the fall in profits. In particular, the bank took on more than 700 employees. The increase was expected and the new staff would soon be paying their way, according to Mr Dietrich Koellhofer, a member of the managing board.

Earnings were also slightly depressed by the setback at Simonbank, a Düsseldorf-based subsidiary, which was unable to pay a dividend for last year.

Overall, Bayerische Vereinsbank's interest income rose marginally, to DM1.42bn, against DM1.41bn, thanks to higher business volume, which more than offset slightly narrower margins.

Fee-related earnings also rose slightly, to DM364m, against DM359m in 1986, while total group assets increased by DM9.6bn to almost DM150bn.

Procordia increases earnings by 51%

BY SARA WEBB IN STOCKHOLM

PROCORDIA, the Swedish state holding company which was partially privatised last summer, reported a 51 per cent increase in profits after financial items to SKr1.36bn ($227.8m) in 1987.

Profits were boosted chiefly by the improved performance of pharmaceuticals and publishing. Group sales rose by 6 per cent to SKr16.192bn, though taking comparable units into consideration, Procordia said the increase was 8 per cent.

The comapny is paying a dividend of SKr4.5 and expects profits for 1988 to show a further increase, helped by capital gains from the planned sale of Berol Kemi, its chemicals operations.

Operating profit for the consumer goods division, which includes food, drink and alcohol interests, slipped from SKr941m to SKr935m, with profits from the food division held in check by the price freeze in Sweden last year and the increased cost of importing raw goods.

The pharmaceutical division increased operating profit from SKr58m to SKr309m, helped by intensive cost-cutting measures.

Operating profits for the services division more than doubled, from SKr42m to SKr111m, boosted by the turnaround at Liber, the group's publishing company. However, the increase was dragged down by hotel operations, which suffered heavy costs due to expansion overseas.

The group paid extraordinary costs of SKr247m because of restructuring in its engineering division.

●Esselte, the Swedish office supplies group, reported a 12 per cent increase in profits, after net interest expense, to SKr834m for 1987, while sales rose by 14 per cent to SKr12.797bn. The board proposed raising the dividend from SKr4 to SKr4.5.

The group expected sales and profits to increase by about 10 per cent in 1988. While it expressed caution about market conditions for the full year, it said that demand during the first part of 1988 had been strong and that costs connected with its pay-TV venture would be reduced in this year.

Esselte reported stronger results from all main divisions during 1987, with the exception of pay-TV operations, which wiped about SKr108m off the profit figure in costs.

The group's business systems division - which is the US subsidiary accounting for 60 per cent of sales - showed a 13.6 per cent increase in sales to SKr7.963bn, while operating profit showed a 7 per cent increase to SKr885m. Sales were reduced because of the lower dollar.

Hong Kong closure hits Purcell Graham defectors

BY CLARE PEARSON

A MASS defection of employees from Purcell Graham, the Eurobond broker, ended unfortunately for 15 of the people involved last week, when Cantor Fitzgerald, their new employer, closed its Hong Kong operation just nine months after recruiting them to set it up.

Mr John O'Connell, a managing director in charge of Cantor's Eurobond broking in London, said on Friday there was not enough business in Hong Kong to share out between the two firms operating there – Purcell and Cantor itself.

The two managers of Cantor Fitzgerald (Hong Kong) will be returning to the London office. But most of the other employees are likely to lose their jobs.

The en masse departure of 50 employees – or half the staff – of Purcell Graham, which is owned by Exco International, last May raised eyebrows at the time, as it was the largest such move the Eurobond market had seen.

Cantor Fitzgerald, a US broker which began operating in Europe at the end of 1986, was believed to have offered Purcell's brokers very significant salary increases in order to build up its fledgling inter-dealer broking business.

Mr Tim Smith, Purcell Graham's managing director, agreed that volumes were thin in Hong Kong.

Purcell Graham, then US-owned, was the first broker to set up in the Eurobond market in 1978. In 1986, it was acquired by Exco International, which was then absorbed by British and Commonwealth Holdings.

Japan relaxes rules on cash options trading

THE JAPANESE Ministry of Finance will allow, from tomorrow, cash options trading in overseas markets by certain types of financial institutions operating in Japan using their own accounts, Reuter reports from Tokyo.

The ministry said it would allow cash options trading incurrencies, deposits, bonds, stocks and stock indices listed on overseas securities exchanges.

The 332 institutions which will be given varying new trading privileges are those foreign exchange banks which have correspondent agreements with foreign banks, selected securities firms, both life and non-life insurance companies, and investment trust firms.

Trust banks will also be allowed to trade cash options in foreign markets using their trust accounts, though such accounts should not be managed by the trust account owners themselves, an MoF official said.

Foreign exchange banks have been given the exclusive right to trade cash currencies options, while securities houses will be the only institutions able to trade cash stock options and cash stock index options.

Life and non-life insurance companies will be allowed to trade interest rate and bond cash options and investment trust companies.

The divisions were based on the January agreement between the banking, securities and international finance bureaus of the MoF on liberalising futures and cash options trading.

The new measures follow earlier steps to liberalise overseas trading of futures and futures options last May.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Zenitaka Corp.♦	50	1993	5	(4¾)	100	Nomura Int.	*
Ferrovie Dello Stato♦	500	1993	5	8½	101⅜	J.P.Morgan Secs.	8.154
Fuji heavy Industries♦	150	1993	5	(4⅝)	100	Daiwa Europe	*
Nomura Secs.♦	140	1993	5	(4¾)	100	Nomura Int.	*
Wasino Machine♦	50	1993	5	(4⅜)	100	Daiwa Europe	*
British Gas Finance♦	200	1998	10	8¾	99⅞	Goldman Sachs	8.769
British Gas Finance♦	200	2018	30	9½	100	Goldman Sachs	9.500
Finland(c)♦	200	2028	40	9⅝	99	Morgan Stanley	9.725
AUSTRALIAN DOLLARS							
CCF Australia♦	60	1992	4	12¾	101⅝	Hambros Bank	12.213
Norddeutsche Landesbk♦	70	1992	4¼	12½	101½	Norddeutsche L's Bk	11.987
West LB Int.♦	50	1993	5	12½	101⅞	West LB	11.980
IFC♦	60	1993	5	12½	101½	Hambros Bank	12.083
CANADIAN DOLLARS							
EDC♦	100	1993	5	9⅜	101½	Wood Gundy	8.989
Gen. Electric Cap.Canada♦	150	1993	5	9½	101⅛	Dominion Secs.	9.209
McDonald's Corp♦	75	1993	5	9⅝	101½	J.P.Morgan Secs.	9.237
CIBC (Singapore)♦	100	1991	3	9¾	101	CIBC Ltd	9.353
Eastman Kodak♦	150	1990	2	9½	101	Merrill Lynch	8.932
Toronto- Dominion Bank♦	75	1995	7	10	101⅝	McLeod Young Weir	9.670
Caisse Centrale	100	1993	5	10	101⅝	UBS Secs.	9.576
Michelin B.V.♦	100	1995	7	10	101⅞	Deutsche Bk Cap Mkt	9.620
Kredietbank Lux.♦	50	1992	4	9⅜	101⅜	BTI	9.199
D-MARKS							
National Westminster BK♦	300	1998	10	6	100¼	West LB	5.966
Amsterdam-Rotterdam Bk♦	300	1998	10	6⅛	100⅝	Deutsche Bank	6.040
Bqe Nat. D Algerie♦	150	1994	6	6¼	100	Dresdner Bank	6.250
Nomura Secs.♦	100	1993	5	(1⅜-1⅞)	100	Nomura Europe	*
Soc Gen Bk Nederland♦	150	1993	5	5	100¾	Soc.Gen-Elsaessische	4.828
Deutsche Bank Finance NV♦	500	1993	5	5	101	Deutsche Bank	4.770
SWISS FRANCS							
Seto Kogyo Co.**§♦	30	1993	-	⅝	100	Citicorp Inv. Bank	0.625
Leeds Permanent B.Soc.♦	200	1993	-	4⅛	101	UBS	3.901
Oil & Natural Gas Comm.♦	150	1998	-	5⅜	100⅛	Credit Suisse	5.359
EDF♦	150	2008	-	5	101¾	SBC	4.861
Electricite De France**♦	100	1993	-	4	101	SBC	3.777
City of Copenhagen♦	60	1998	-	4½	101	Kredietbank Suisse	4.374
City of Copenhagen♦	60	2003	-	4¾	100	Kredietbank Suisse	4.750
Nordic Inv.Bk.Helsinki♦♦	158	1995	-	3	100	Nordfinance Bank	3.000
Transcanada Pipelines♦	150	1993	-	4⅜	99¾	UBS	4.432
ECU							
Credit Local De France♦	100	1993	5	7½	101½	CCF	7.133
Swedish Export Credit♦	108	1992	4	7⅜	101⅝	Banque Paribas	6.896
STERLING							
Nykredit♦	50	1994	6	10⅛	100¾	Baring Brothers	9.953
Denmark♦	80	1993	5	9½	101½	UBS Secs.	9.113
United Biscuits§(a)♦	110	2003	15	5¾	100	Warburg Secs.	5.750
YEN							
New Zealand♦	10bn	1993	5	5	101¾	Nomura Int.	4.600
New Zealand(b)♦	10bn	1993	5	7	102⅞	Nomura Int.	6.312
Okobank♦	5bn	1993	5	2 (e)	101⅞	IBJ	1.607
TVO♦	10bn	1996	8	5½	101¾	Yamaichi Int.Europe	5.227
LIRE							
EIB†♦	150bn	1996	8	(D)	100	Banco Di Napoli	*
LUXEMBOURG FRANCS							
Genfinance**♦	300	1995	7	7¼	100¼	Bqe Generale Du Lux	7.203

*Not yet priced. **Private placement. ♦Final terms. †Floating rate note. ♦With equity warrants. §Convertible. (a)Convertible preference shares. (b)Redemption linked to $/yen exchange rate. (e)Launched on US domestic market. (d)6 month libor rate plus 12½ basis points. 7% at 1993. Note yields are calculated on a AIBD basis.

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February 1988

UK COMPANY NEWS

James Buxton looks at William Low – an independent supermarket chain

Success makes it vulnerable to predators

"WE ARE through the worst now," says Mr William Millar, managing director of William Low, the Dundee-based company which is one of Britain's few remaining independent supermarket chains.

"The worst" refers not to anxiety that William Low could lose its independence in a takeover. That has, if anything, been heightened in the past month or so as bid speculation has swirled about the group.

Rather, it refers to the long period of squeezed earnings caused by the company's rapid expansion over the past few years. This may have made it more vulnerable to predators, but it has also left a much more attractive company.

William Low is no upstart in the grocery business. It was founded by two Dundee families in 1867, and by 1914 consisted of a chain of 80 counter service stores throughout Scotland. It went into self-service stores in the 1960s. But Mr Millar, who was then a director, says that by the end of the 1970s the company "was not looking far enough ahead in terms of size". In 1980 and 1981 profits went into decline.

Mr Millar, an energetic terrier of a man, took over as managing director in 1981 and began a programme of upgrading William Low's supermarkets, as well as tightening up all the company's operations. He closed some of the smaller, "totally out-dated" supermarkets, usually those located in high streets and lacking car parks. Others, which had been "out-gunned" by the competition were replaced with bigger, more economic stores.

By 1984 profit margins had been restored and that year the company produced pre-tax profits of £5.1m on sales of £154m.

"We were squeezing what we could ont of it," says Mr Miller. The question now was how to roll the business forward – a question made more acute by the fact that Scotland, with a marginally declining population, was not likely to provide much long-term growth.

The first answer was the acquisition in January 1985 of Laws, a chain of small supermarkets in the north-east of England. Mr Millar called the Laws purchase "strategic rather than tactical" since it took William Low south of the border and gave it a second distribution centre (after Dundee) at Gateshead.

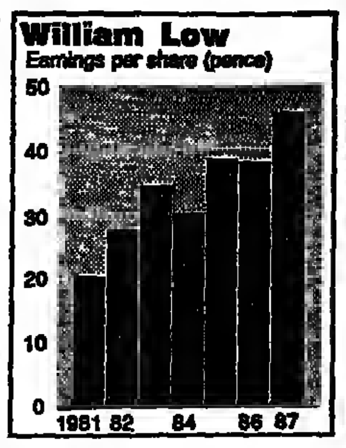
But Laws, which was suffering heavy losses, required serious rationalisation. "A lot of stores were cheap and nasty," said Mr Millar. Of the 45 stores, four were closed in the first week and 17 were shut down within two years. The William Low name and range of stock was adopted within three months. Those stores considered likely to make a reasonable return were developed and four new stores were opened.

The other important step the company took was the hiring of Mr Ramsay Johnson, who had been a senior executive at Fine Fare, to take responsibility for property development. He has brought particular drive to Low's site acquisition programme.

In 1986, it announced a target of developing 100,000 sq ft of floor space each year into the 1990s, both through redevelopment and enlarging existing stores and establishing new ones. It has doubled the average size of its stores to 12,000 sq ft since 1979.

William Low had increased its floor space from 550,000 sq ft in 1985 to 613,000 by September last year and expects to add a further 120,000 sq ft by August this year – a scale of expansion in absolute terms only one-third less than that of tha much larger Sainsbury.

It is focusing on a rectangle of territory east of the Pennines bounded by the River Tyne to the north and the Humber to the south. It recently opened a supermarket in Goole in South Yorkshire, but Mr Millar says that its distribution system could allow it to go as far south as Doncaster.



Analysts compliment the company on the efficiency of its purchasing and distribution operation.

There is no question of trying to challenge in size the giants of the supermarket business – such as Argyll, Sainsbury, Tesco and ASDA. But William Low believes it can compete successfully with those groups in its own locations.

"There comes a point when extra volume doesn't get you improved margins," says Mr Millar. Where William Low is reckoned to score is in quality of service and the food on sale. Opinion surveys attest to the friendliness of William Low's staff, contributing to good customer loyalty.

But the restructuring and expansion took its toll on William Low's earnings per share, which dipped from 34.48p in 1983 to 30.19p in 1984 and then recovered to 38.9p in 1986. "Opening new stores always has a negative effect on profits," says Mr Millar. It takes six months to a year to bring a new store into profit and three years to get a satisfactory return.

William Millar: through the worst now

But now he says good profits are coming through from earlier store openings to offset the cost of the expansion programme. That showed in the results for the year to September 1987.

Operating profit jumped 22 per cent to £9m on sales of £247m, though pre-tax profits rose only 12 per cent to £8.1m, dragged down by the interest charges on borrowings. Earnings per share went up to 45.7p. But with the shares at 570p, the multiple of 13.2 is still well below the sector average of 18.2.

Last October, shortly before the stock market crash, Rainbow Corporation, an investment vehicle of Sir Ronald Brierley, the New Zealand entrepreneur, announced that it had built up a 5.17 per cent stake in Low.

There has been no discussion with Rainbow, though it sent an executive to the company's AGM. Mr Millar says he is "not weeping" for Sir Ronald, since Rainbow bought at well over £7 a share, only to see the price plunge soon afterwards with Black Monday.

The company has perhaps been more unsettled by a newspaper rumour that Mr John Fletcher, chairman of Barker & Dobson, might have his eye on William Low, following his failure to win control of Dee Corporation. However, other analysts suggest this is highly unlikely.

Whatever the case, some sections of the press saw defensive manoeuvring behind Low's announcement last month that it was raising £31.6m via a placing of convertible preference shares. These incorporate a stepped conversion rate if the company is taken over. If an offer is made for Low before the end of September 1988, the conversion price will be equivalent to 585p, but it will then increase in stages to 640p by 1993.

The main effect of the placing will be virtually to eradicate William Low's bank borrowing, which at the end of January amounted to £34.8m; gearing should fall from 65 per cent at the end of last financial year to four per cent. It will also finance further expansion with planned capital expenditure this year set at £30m – William Low has invested £70m over the past three years.

Mr Millar says that in planning the placing, the company and its adviser, S G Warburg, spent "only about ten minutes" on the stepped conversion element. "It's not intended to frighten off a predator," he adds.

In the words of one analyst: "The placing gives no extra protection against predators. Any predator would have to redeem the convertible shares – but anyway he would have had to take over the debt.

"There are just two independent supermarket chains left in Britain – William Low and Morrison, the Yorkshire group. Any company is going to be vulnerable if it has got a strong asset base and the earnings are taking time to come through."

MS in final attack on Dobson

By David Waller

MS International, the mechanical and electrical engineering group facing a hostile £33m bid from Dobson Park, yesterday lambasted the predator in its final circular before the bid deadline on Friday.

In the document, MS reiterates its argument that the industrial logic of a link-up between the two companies is non-existent, and that the terms of of the cash offer grossly undervalue the potential of the MS business.

Mr Alan Cane, Dobson's chief executive, responded by saying that the synergy between the two companies' mining supplies businesses was irrefutable. He said the offer was generous in the context of what he claimed to be the poor quality of MS's earnings.

Earlier this month, MS forecast record pre-tax profits of £2.75m in the year to April 30, more than treble the £1.06m achieved in the previous year. Dobson's bid values MS at 12.4 times the forecast earnings, and 48 times 1986-87 earnings.

Sycamore loss lower

Reduced pre-tax losses of £156,000 against £365,000 were announced by Sycamore Holdings, Lancashire-based maker of kitchen and garden furniture, for the year to September 30 1987. Turnover improved from £4.91m to £5.59m.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

CSX Corporation (Section: Americans).

Great Portland Estates 9½% Conv. Uns. Loan Stk. (Property).

Manganese Bronze in £1m expansion

By Fiona Thompson

Manganese Bronze, manufacturer of taxis, sintered components and precision castings, is to buy a castings foundry from Lake & Elliot Industries, a private Essex-based metal tube forming business, for £930,000 plus VAT.

The purchase gives Manganese Bronze exclusive British rights, until the year 2000, to the specialised Hitchener process of manufacturing stainless steel castings. With this method, moulten stainless steel is moved under a vacuum. Because the stainless steel is handled much less than it would be using traditional methods, it produces better quality, very fine castings.

"It means we will be able to penetrate the aerospace, food and pharmaceutical markets much more than we do now," said Mr Jamie Borwick, managing director. "It should add approximately £3m sales to our foundries division in a full year."

The book value of the plant and work in progress of the foundry at December 31, 1987, was approximately £990,000. Manganese Bronze will pay the £930,000 plus VAT either in cash or partly in cash and partly by way of a vendor placing.

The foundry, presently in Crawley, will be moved to Redditch, where two of Manganese Bronze's four foundries are.

The foundries division contributed £1.2m profit on sales of £10.91m in the year to July 31, 1987. The company as a whole made £3.43m pretax profit on turnover of £50.14m.

"This is the first step in our expansion," Mr Borwick said yesterday.

Sims Catering pays £2m for Coxhill Meats

BY CLAY HARRIS

Sims Catering Butchers, the acquisitive USM-quoted meat processor run by Mr Ron Randall, is to pay up to £2.14m in shares for Coxhill Meats, a Birmingham-based meat and poultry supplier.

The initial £1.07m consideration was based on a share price of 428p, compared with Friday's 448p close.

An additional payment of about the same size depends on Coxhill achieving warranted pre-tax profits of £396,000 in the year to March 31 1989. This compares with the £168,000 pre-tax on turnover of £3.1m achieved in 1986-87.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
AB Ports	Apr 9	Final 4.0	Hepworth Cer	Mar 25	Final 5.16
Abbey Life	Apr 1	Final 5.5	* Ibstock Johnsen	Apr 7	Final 4.7
Amec	Apr 1	Final 7.5	Laird Group	Apr 2	Final 4.1
BAT Inds	Mar 25	Final 8.8	LASMO	Mar 31	Final 7.0
* BSG Intl	Mar 29	Final 0.88	* Marley	Mar 29	Final 2.7
Bk Scotland	Apr 22	Final 10.6	NEI	Mar 25	Final 3.6
* Barratt Devs	Mar 23	Interim 2.64	Ocean Trans	Mar 25	Final 6.1
* B'wood Hodge	Apr 6	Final 0.5	P & O	Mar 24	Final 11.5
Booker	Mar 23	Final 9.0	* Prudential	Mar 22	Final 19.0
Bowater	Apr 8	Final 6.0	Reckitt Col	Apr 21	Final 11.75
* Brit Arrow	Mar 23	Final 3.2	RTZ	Apr 8	Final 16.5
Brit Aero	Mar 24	Final 11.0	Slough Ests	Mar 30	Final 4.0
* Brixton Est	Apr 21	Final 3.9	Smith & Neph	Mar 25	Final 1.97
* Bunzl	Apr 5	Final 2.45	* Steetley	Mar 30	Final 10.0
Burmah Oil	Apr 9	Final 6.5	Sun Alliance	Apr 1	Final 16.0
Coats Viyell	Mar 24	Final 10.0	* Utd Biscuits	Mar 30	Final 6.0
* Cookson	Mar 24	Final 6.8	Vaux	Apr 29	Interim 4.7
GRE	Apr 1	Final 24.0	Wimpey (G.)	Apr 9	Final 3.75
Hall (M.)	Apr 8	Final 3.5	* Woolworth	Mar 28	Final 11.0
Hammerson	Apr 9	Final 6.5			

BP sells interest in refinery

BP has sold a 25.5 per cent interest in a Swiss refinery, Raffinerie du Sud-Ouest, to Gatoil, the Swiss refining and marketing company, which now holds a 72.1 per cent stake in the refinery. Agip holds the remaining 27.9 per cent.

The refinery disposal is the latest in a series by which BP has reduced its European refining capacity by more than 50 per cent in recent years. The Swiss refinery has a throughput capacity of 3.5m tonnes of crude oil a year.

Flextech in red midway

BY DOMINIQUE JACKSON

Flextech, USM-quoted minority investor in oil-related activities, made a loss before tax of £194,000 in the six months to end-November 1987.

Flextech's original investment strategy was to take minority holdings in companies mainly related to the energy sector.

However, since the oil price slump, Mr Mayne and his management have altered the company's strategy and concentrated on tha disposal of investments and building up trading activities in subsidiaries.

For that reason, the company's comparable figures for 1986 have been restated in line with last year's annual accounts to reflect the reclassification of certain of the company's investments as current assets.

On the restated basis, the attributable loss for the corresponding period last year was £3.5m, after extraordinary provisions.

Flextech plans to change its year-end from March 31 to May 31 in order to coincide with the Expro year-end.

John Michael Design talks

John Michael Design, is now in talks with an unquoted company which might lead to a reverse takeover.

The new deal is yet one more twist in the affairs of John Michael, which last week announced it was in talks with a potential bidder. Those discussions have now been terminated.

Last year, Michael announced a reconstruction organised by Hillsdown Investment Trust but HIT eventually backed out of the package.

Cons Venture up

Consolidated Venture Trust's net asset value was 254.25p at the end of January 1988 against 202.4p a year earlier, and 266.75p at the end of July.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Barry Wehmiller International, Entertainment Production, James Finlay, [illegible] and Strathclyde Trust, Pifco, Pressac, Spectrum, Tripentees Hotspur, W.A. Tyzack, Unigroup.

Finals: ASD, Booker, Berkeley and Hay Hill, [illegible] Engineering, Garton Engineering, Knit-Fit, [illegible], Hugh Mackay, Manor, Rugby Club, Rutland Trust, Spring Ram, Suter, Trinity International.

FUTURE DATES

Interims: Dowding and Mills ... Apr 12; Lucas Industries ... Mar 24; Pegasus Group ... Mar 24

This announcement appears as a matter of record only.

HICKSON

Hickson International PLC

(Incorporated with limited liability under the Companies Act 1948)

£50,000,000

Euro-Commercial Paper Programme

Arranger
Citicorp Investment Bank Limited

Dealers
Citicorp Investment Bank Limited
County NatWest Limited

Issue and Paying Agent
Citibank, N.A.

March 18, 1988

CITICORP INVESTMENT BANK

This announcement appears as a matter of record only. March 1988

HICKSON

Hickson International PLC

£50,000,000

Multiple Option Facility

Arranged by
County NatWest

Underwriting Banks
National Westminster Bank Group
Barclays Bank PLC
Deutsche Bank Aktiengesellschaft London Branch
The Fuji Bank, Limited
Kansallis Banking Group
The Sanwa Bank, Limited
Banca Commerciale Italiana London Branch

Facility Agent
NatWest Investment Bank Limited

A The NatWest Investment Bank Group

U.S. $30,000,000

SUNDSVALLSBANKEN

FLOATING RATE CAPITAL NOTES DUE 1992

For the six months 21st March, 1988 to 21st September, 1988

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 7⅞% per cent and that the interest payable on the relevant interest payment date, 21st September, 1988 will amount to U.S.$367.36 per U.S.$10,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York, London

U.S. $200,000,000

J.P. Morgan & Co. Incorporated

Floating Rate Subordinated Capital Notes Due December 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.9375% p.a. and that the interest payable on the relevant Interest Payment Date, June 21, 1988 against Coupon No. 10 in respect of U.S.$10,000 nominal of the Notes will be U.S.$176.97 and in respect of U.S.$250,000 nominal of the Notes will be U.S.$4,424.31.

March 21, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

U.S. $100,000,000

BBL (Cayman) Limited

(Incorporated as a limited company in the Cayman Islands)

Guaranteed Floating Rate Notes Due 2000

Unconditionally guaranteed by

Bangkok Bank Limited

(Incorporated with limited liability in the Kingdom of Thailand)

Notice is hereby given that the interest payable on the relevant Interest Payment Date, April 14, 1988 for the period October 14, 1987 to April 14, 1988 against Coupon No. 6 in respect of US$10,000 nominal of the Notes will be US$396.04.

March 21, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

U.S. $250,000,000 FLOATING RATE SUBORDINATED CAPITAL NOTES DUE SEPTEMBER 1996

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 6.9375% and that the interest payable on the relevant Interest Payment Date, June 21, 1988, against Coupon No. 15 in respect of US$50,000 nominal of the Notes will be US$886.46 and in respect of US$10,000 nominal of the Notes will be US$177.29.

March 21, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Fleet Financial Group

U.S. $400,000,000 Floating Rate Subordinated Capital Notes Due 1998

For the three months 21st March 1988 to 21st June 1988 the Notes will carry an interest rate of 6.9375% per annum and coupon amount of U.S. $17.73 per U.S. $1,000 note.

Listed on the Luxembourg Stock Exchange

Morgan Guaranty Trust Company, London
Agent Bank

THOMSON

Thomson-Brandt International B.V.

U.S. $200,000,000 7¼% Convertible Notes due 1991

Convertible into

U.S. $200,000,000 Floating Rate Notes due 1991

All unconditionally guaranteed by

Thomson S.A.

For the three months 17th March, 1988 to 17th June, 1988 the Notes will carry an interest rate of 6¾% per annum with an interest amount of U.S. $175.69 per U.S. $10,000 Note payable on 17th June, 1988.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London
Agent Bank

FINANCIAL TIMES STOCK INDICES

	Mar. 18	Mar. 17	Mar. 16	Mar. 15	Mar. 14	Mar. 11	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.30	90.51	90.53	91.03	90.76	90.47	93.32	83.73	127.4	49.18
Fixed Interest	97.49	97.68	97.57	97.47	97.21	97.28	99.12	90.23	105.4	50.53
Ordinary	1476.8	1459.1	1455.9	1470.4	1460.0	1449.9	1926.2	1232.0	1926.2	49.4
Gold Mines	240.9	244.2	246.8	243.0	245.3	248.6	497.5	234.0	734.7	43.5
FT-Act All Share	951.46	938.36	937.12	941.25	934.08	930.11	1238.57	784.81	1238.57	61.92
FT-SE 100	1855.5	1828.1	1825.7	1839.9	1819.5	[illegible]	2443.4	[illegible]	2443.4	986.9

Alitalia

Flying through turbulent times

David Lane explains how the airline has gained expertise in crisis management

ITALY'S NATIONAL airline, Alitalia, will soon be entering its sixth, highly-disruptive month of labour unrest. Strikes over new contracts started at the beginning of October and since then the company has been accumulating an unprecedented level of expertise in coping with crisis.

Management skills have been brought to a fine pitch in the autumn and winter by events which have seen all categories of employee locked in conflict with the company. "No other airline can claim experience like Alitalia in dealing with disruption," remarks Ferruccio Pavolini, executive vice president.

Pavolini considers that the company's performance provides evidence that disservice can be managed efficiently. "Airline management is complicated even when conditions are normal. There are many factors which impinge on the production process," says Pavolini, giving as examples the weather, technical difficulties and labour unrest outside the airline itself.

However, conditions at present are far from normal. The strikes force Alitalia to cancel 65 flights out of its daily programme of 460. "There have been more than 500 stoppages of workshop staff and this has paralysed maintenance. The time taken for servicing has more than doubled," says Pavolini.

This has caused a large queue of aircraft to be grounded at Rome's Leonardo da Vinci airport. Alitalia has nine of its short and medium range fleet of 84 aircraft undergoing preventive maintenance when operations are normal. Currently there are 22 in the hangars or standing on the apron outside.

These figures illustrate how Alitalia's management is being able to soften the impact of the strikes on operations. Medium and short range aircraft fly a daily average of six legs, or flights. With an extra 13 aircraft grounded, Alitalia should be losing 78 flights each day. Instead the airline is restricting the damage to 65.

"It means operating without reserves," admits Mauro Scalesse, who reports to Pavolini and is responsible for operational co-ordination and programme management. Scalesse explains that Alitalia would normally have aircraft available as replacements for when technical difficulties occur, or to insert into the flight programme when delays have accumulated.

"By using reserve aircraft to avoid cancelling flights we accept the risk of reduced levels of punctuality," explains Scalesse. The policy has paid off so far. Pavolini reports that Alitalia is achieving 80 per cent punctuality on its international routes and 85 per cent on its domestic services.

During the current strike, maintenance of Alitalia's aircraft is being carried out by other airlines

"This is comparable to the other main European airlines and far better than US operators," he maintains.

Another policy decision taken by Alitalia's management has been to contract preventive maintenance to other airlines. "None of our intercontinental flights has been cut. This is because all servicing of Boeing-747 aircraft is being undertaken abroad, by Lufthansa, Air France and Varig. The West German aerospace company MBB and Iberia are helping to service our DC-9 fleet," says Pavolini.

"Of course, it costs more to pay others for maintenance. But we consider that it is better to accept the additional expense than cancel flights. It is less a question of economics than of image." Pavolini explains that the airline's strategy during the past five months has been to minimise the effect of the strikes on users.

Where necessity and possibility have coincided, Alitalia has leased aircraft for cargo flights and for certain legs of its international passenger network. "We prefer wet leases (where pilots and crew are provided with the aircraft) to avoid difficulties with staff," says Scalesse.

Indeed Scalesse ranks relations with air-crew as a priority second only to the assurance of flight safety. "Operations co-ordinators have to be especially careful in the way they deal with pilots in this period. Often, several variations may have to be written into flight plans, like change of aircraft livery, switches in routing or destination or modification to refuelling programmes," he says.

Alitalia's operations co-ordination group of 20 people is in the front line, called on to take rapid decisions in the airline's day-to-day running. Flexibility, coolness and the capacity for quick response are the fundamental requirements being severely tested.

"A phone call always brings problems," says Scalesse. He believes that the uncertainty and disruption caused by the strikes has caused a five-fold increase in his department's workload.

Superimposed on the difficulties created by the permanent shortage of aircraft, and the 65 cancelled flights each day, Alitalia is faced with an intense series of stoppages by all operational staff.

The airline has separate labour contracts for pilots, ground staff, cabin staff and flight engineers. Moreover, different trade unions are involved in each category. Further complications arise from strikes by other air transport workers: air traffic controllers, airport firemen, customs, handlers and oil companies. "It is rather like a chess game. Imagination is needed," says Scalesse.

However, some rules can be set which reduce the need for brain-stretching exercises. "In these conditions we have opted for a first-in-first-out system. The first aircraft to arrive is the first to leave," he says. And Alitalia is computerising its aircraft resource schedule. This will not only reduce the human workload but will also place the airline in the forefront with this type of information system.

Behind the day-to-day co-ordination group there is an operations planning group, involving all Alitalia's line activities from sales and marketing to airport operations and maintenance.

This meets every Monday to review the seasonal programme. Though the current season runs until the end of March, the group is already taking account of factors which will affect operations during the next period.

The fixed programme of cuts was decided by the operations planning group. Sudden cancellation of flights due to low passenger numbers, a practice widely adopted by airlines during the oil crises, is not occurring at Alitalia. "If a planned flight has no passengers, then the aircraft flies empty," claims Pavolini.

"Cuts have been based on the criterion that passengers should be penalised as little as possible. This means reducing domestic flights by about 15 per cent and cancelling international flights only to the level where joint capacity with other carriers is sufficient. We have been giving traffic to other airlines," says Pavolini.

"Alitalia has paid particular attention to keeping passengers informed," he says. Indeed, during this long-running crisis, Italy's airports have been less troubled by bivouacs of discontented travellers than might have been expected.

Pavolini regrets that the results achieved by the airline over recent years are being jeopardised. "It is very stressful that our efforts to improve Alitalia's image and increase traffic are being nullified," he says. He is hopeful, however, that there will be a return to normal working in time to benefit from the April to October season.

Nevertheless clearing the maintenance backlog alone will take at least a month. Italian flair and managerial skills will be needed for Alitalia's recovery. It will need to regain its share of the thriving world market in order to reach the profits of more than L70bn (£30m) which were returned last year.

Managers of the future

Masters of a changing environment

Michael Skapinker reports on the findings of a Europe-wide survey

DO YOU SHOWER your employees with "tough love"?

You should, according to a report published today by Ashridge Management College and the Foundation for Management Education.

The term "tough love" was used by one of the chief executives interviewed for the report. He used it to describe the combination of hard-nosed business sense and regard for one's employees that he saw as being essential to future business success.

The report, based on interviews with companies in Britain, France, West Germany, Sweden and Norway, attempted to identify the characteristics of the successful organisations and managers of the future.

The companies surveyed were chosen on the basis of their successful performance and because they were regarded as examples of innovative management practice.

They included the French hotel group Accor, the Swedish household appliances company Electrolux, the Norwegian computer company Norsk Data and the German motor manufacturer BMW. British companies interviewed included Shell UK, ICI, Jaguar and the Burton Group.

The companies had a clear idea of what the successful organisations of the 1990s and the 21st century would look like. They would be flexible and decentralised, they said, while still maintaining a strong overall corporate identity.

They would be close to their customers. Norsk Data, for example, said that it would recruit larger numbers of people from the industries to which it hoped to sell its products.

The successful companies of the future would have an international perspective. Denys Henderson, the chief executive of ICI, said, "If we don't compete internationally, then we don't start. The world does not owe us a living. If we are not a large international business, then we cannot afford the large research effort that will sustain us in future."

The organisations of the future would also eschew hierarchy and would encourage open communication. The Scandinavian companies surveyed already encouraged informality and openness.

At Norsk Data, "many of the employees to be seen at head office dress casually, often in denim jeans," the report said. "They meet frequently in the meeting areas dotted around each floor of the head office. These rooms reflect the 'personality' of each team and are lavishly furnished with kitchen facilities, designer sofas, armchairs, coffee tables, TV sets and magazines, and perhaps a piano. They provide a relaxed and congenial environment for brainstorming and are the focal point of much of the company's decision-making process."

Above all, successful organisations would know how to motivate their young managers. The companies surveyed said they thought financial incentives were an important means of motivating managers. On their own, however, they were not enough. The companies thought that what really motivated managers was the opportunity to take responsibility early in their careers.

Norsk Data, for example, tells its young managers: "To be really productive you must show initiative. Don't wait for information, go and get it!"

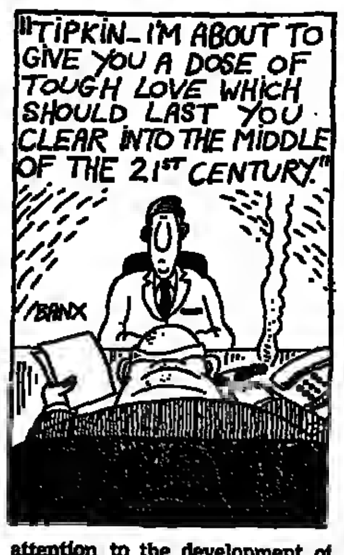
One young Norsk Data manager said that "when you come in here there is no structure. It is up to you to get on with it. I had to build a project group from scratch. It is totally up to you. Age is irrelevant. I have a job that in an American company would be given to a 55 year old.

"The difference between Norwegians and Americans is that Norwegians work to live, while Americans live to work. But you can turn potentially lazy people into hard workers if you give them a sense of responsiblity and don't stand over them with a club."

With young managers having to take on greater responsibility, did the companies think that general management skills would have to be acquired at an earlier age than in the past?

The survey found that most of the organisations thought specialist skills would remain important. Electrolux said that the manager of the future "must have specialist skills to give him or her status in the organisation." Shell UK said that managers must have demonstrated "an ability to think in their own specialist area before adding on the relevant management disciplines."

Nevertheless, some, like ICI, said they were paying greater attention to the development of general management skills.



What other qualities would the manager of the future need? Many of those interviewed thought that managers would have to acquire a better understanding of the world outside their company and industry. They would need to appreciate how external political and economic factors could affect their business.

In companies like ICI and Shell UK, where environmental issues are important, managers would need what one of those interviewed called more "public awareness acumen."

A description of the ideal young manager of the future is all very well, of course. The question is, how do you develop them?

The report outlines four existing approaches to management development. It regards only the last of them as truly capable of producing the managers of the future.

The first approach is to do no training at all. As last year's report on management development by Professor Charles Handy made clear, this is by no means uncommon in British companies.

The second sort of management development is what the report calls the "fragmented approach". Here, training is not linked to the company's goals. Nor is it seen as being important to the success of the organisation.

Participants are sent on training courses either as a reward for a job well done or simply because they have not been on a course for some time. Managers are not encouraged to implement what they have learned when they return to their jobs.

The third category of management development is the "formalised approach". Companies which follow this approach make a greater effort to link training to individual needs. Employees' training requirements are identified during appraisal interviews. Companies which use this approach make a greater effort to ensure that employees get the opportunity to use what they have learned when they return to work.

The fourth category, the one which the report says companies need to adopt if they are going to be successful in years to come, is the "focused approach".

Here, training is not just seen as a tool for the development of individual employees. It is regarded as a competitive weapon, "a necessity for organisational survival in a rapidly changing business environment".

In companies which follow the focused approach, learning is seen as an activity which goes on all the time. These companies do send their employees on outside courses. But they also encourage them to learn while they work — from their superiors, their colleagues and through distance learning packages.

A training manager at Accor said that "today, in our society, there is a fake belief that schools and colleges are the places for learning. In fact, what people must see is that learning takes place everywhere, everyday, for everybody."

The report said that this did not mean there was no place for business schools. Several of the companies thought business schools were still useful in helping managers to meet people outside their own organisation, to pick up new ideas and to gain formal, portable qualifications.

Many of the managers interviewed said, however, that business schools should tailor their courses to meet the needs of individual companies. A number of British business schools, including Ashridge and the International Management Centre from Buckingham, do so already.

Management for the Future, available from Ashridge Management Research Group, Ashridge Management College, Berkhamsted, Herts, HP4 1NS. £30.

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FT 2/3

GLENROTHES DEVELOPMENT CORPORATION

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
215	F.P.	8/4	277	218	AMI Healthcare 20p	277	+13	u5.0	2.9	2.5	18.9
§130	F.P.	15/4	166	150	Archer (A.J.) Hldgs 1p	166	+2	R6.5	2.1	5.4	12.9
†	F.P.	-	166	150	Berry Starquest	166	+1	-	-	-	-
330	120	-	92	61	British Petroleum	81	+9	N12.5	1.5	5.9	14.5
20	F.P.	-	161	131	‡Curron Phoenix 10p	160	-1	R3.5	2.7	3.0	16.7
§130	F.P.	-	148	135	‡Cosymore 5p	135	-1	b2.0	3.8	2.0	16.5
†	F.P.	-	405	225	‡GWR Group 20p	345	-10	-	-	-	13.6
§30	P.P.	30/3	42	38½	Gardiner Group 5p	41½	+1	b0.75	3.9	2.5	14.1
§64	F.P.	20/4	78	64	‡Hughes (H.T.) 10p	78		b2.25	2.1	4.0	14.4
160	F.P.	25/3	165	154	‡London Forfaiting	158	+3	u6.5	2.3	5.6	9.3
§100	F.P.	8/4	100	100½	‡Norfolk House Group 5p	106		R2.19	3.8	2.8	10.6
97	F.P.	-	124	100	Psion 5p	124	+6	u1.75	4.3	1.9	16.6
20	F.P.	-	21	19	Riv & Merc Am Cap Tst 10p	20		-	-	-	-
100	F.P.	-	102	100	Do. Inc. Tst	102		b6.2	-	8.3	-
20	F.P.	-	10	7½	Do. Wrrnts Tst 10p	7½	-½	-	-	-	-
†	F.P.	-	89	70	Selective Assets Tst 10p	75	+1	-	-	-	-
§650	F.P.	21/3	830	710	Shanks & McEwan 50p	830xd		b15.5	2.3	2.6	22.6
§130	F.P.	-	138	125	TGI Group 2p	130	-1	R4.75	3.0	5.1	9.2
125	F.P.	18/3	145	123	T.I.P. Europe	143		R4.2	2.3	4.0	12.1
§80	F.P.	7/3	90	81	‡Titan 5p	84	-1	u2.35	2.7	3.8	13.3
§60	F.P.	13/4	60	60	‡Transrap Hldgs 10p	60		b2.0	2.0	4.6	15.4
135	F.P.	-	151	142	U.K. Paper 10p	148	+5	R5.0	2.8	4.6	8.0
§160	F.P.	-	196	181	Vosper Thornycroft Hldgs	181	-1	R7.5	2.4	5.7	10.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or −
100	F.P.	-	114	109	Argyle Trust 11pc Cnv.Sub Uns. Ln 1992	114	+4
100	F.P.	-	117p	100p	BTP 7.5p (net) Cnv Cm. Red. Prf.	117p	+2
100	F.P.	1/3	106p	103p	Cooper (F.J.) 6.5p Cnv Red.Cnv Prg.Prf.	106p	
100	F.P.	-	112p	108p	Essex 6.25p Net Cnv Cum.Red.Prf.	111p	+2
100	£25	-	25¼	25¼	London Merc. Secs. 10% 1st Mort. 2018	25¼	
100	F.P.	-	121p	108p	Morgan Crucible 7.5pc Net.Cv.Cm.Rd.Pf.	119p	
100	F.P.	-	107p	102p	Nat. Home Loans 7.5pc Cnv. Pf	107p	
-	F.P.	-	100	100	N'wide Anglia 9⅞ Bd Rd 13.3.89	100	
-	F.P.	-	100⅛	99⅞	Do. 9⅞pc 20.2.89	100⅛	
†	F.P.	-	91p	89p	Select Assts Tst Uts Eqn Ind Ln'13	91p	+2
100	F.P.	-	109p	107p	Scott & Robertson 7½ Cnv.Cnv.Red.Prf	108p	
100	Nil	5/4	4pm	2pm	‡Sunalliance 7.25p Cnv.Red.Prg.Prf. £2	3pm	
100	F.P.	-	105	101	Smith New Court Cnv.Cum.Red.Prf.	105	+2
100	F.P.	-	115p	100p	Stanley (A.G.) 5.75p Cum.Cnv.Red.Prf	115p	
100	F.P.	-	138p	116p	Thomson T-Line 5.75p Net.Cr.Red.Prf	138p	+5
100	F.P.	-	116p	110p	Widney 8.76pc. Cr.Cm.Rd.Pf. 2000 £1	116p	
-	F.P.	-	138	127	Woolworth 8½pc. Cnv.Uns Ln. 2000	138	+1

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or −
15	Nil	-	11½pm	9pm	Charterhall 5p	9½pm	+½
25	Nil	-	63pm	31pm	Hartwns Group 5p	32pm	
9	Nil	20/4	3½pm	1½pm	Jackson Exploration	1½pm	
17	Nil	20/4	8pm	5pm	Mining & Allied Supplies	6pm	
275	Nil	-	365pm	310pm	Oakwood Group	315pm	+5
220	Nil	22/4	50pm	15pm	Parrish 5p	15pm	-5
57	Nil	22/4	20pm	6pm	‡Splash Products 10p	18pm	
40	Nil	20/5	15pm	7pm	Sumrie Clothes 20p	8pm	-1

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1987. Q Gross. R Forecast annualised for 1988. N Dividend and yield based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. * Third Market.

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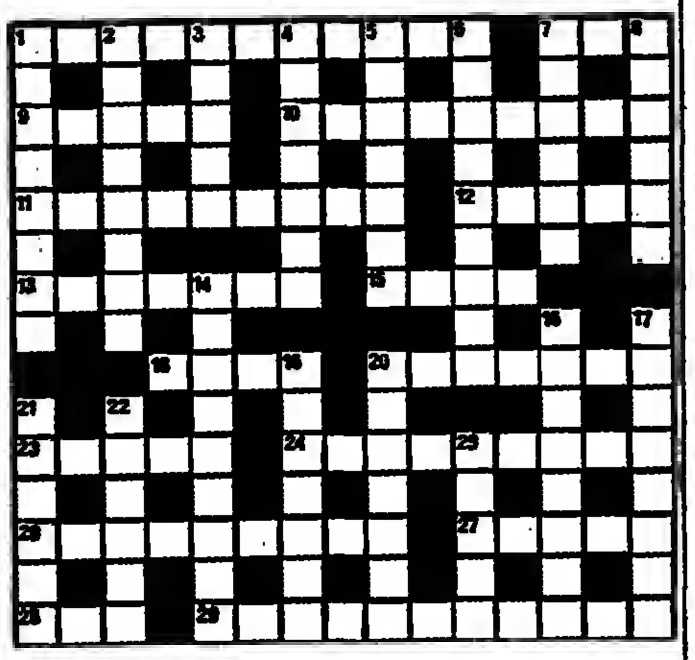

ACROSS

1 Headgear for happy and caring characters (8,3)
7 Arrange collection (3)
9 Disturbed riding group (5)
10 Friends join serious court palatine (9)
11 Medical instrument does open perhaps with key inside (9)
12 Asserts a stanza is unfinished (5)
13 Study alone for comfort (7)
15 Singer in capital tops the bill (4)
18 Not an attractive sounding fruit (4)
20 Strange yen to be a social reformer (7)
23 Bring up retinue (5)
24 You heard soup must be stirred - that's splendid (9)
26 Bars arranged by southern lake to make beer garden (9)
27 Drink with scholar at dance (5)
28 This girl starts employment very early (3)
29 Rare lute granted by Sir Walter Scott (11)

DOWN

1 Girl showing caution (8)
2 Occupant inserted material (8)
3 American general confines students to college grounds (5)
4 Consider fare so to speak (7)
5 State time daughter enters volcanic crater (7)
6 Messenger has an attempt in spectacular display (9)
7 Mantes chewing part of flower (6)
8 One who believes article first (6)
14 Planner makes musical instrument rise somehow (9)
16 Sailor on common appears extraordinary (8)
17 Bird finds communists sour (8)
19 At home, certain front door is covered (7)
20 Typist goes to oriental artist for painting medium (7)
21 Firmly established building for animals (6)
22 Wine flask provided by gunners in restaurant (6)
25 I enter act in Italy (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 2.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

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Scimitar Asset Management Ltd
6 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	29.5	31.4	+0.2	—
Do. Income	29.3	31.2	+0.1	0.19
Scimitar European Acc	21.2	22.6	—	—
Do. Income	21.2	22.6	—	0.11
Scimitar UK Eq Inc Acc	36.4	38.4	—	—
Do. Income	34.1	35.9	—	5.36
KK Cap Gth Acc	25.2	26.6	—	0.75
Scimitar Pac Basin Acc	29.8	31.8	+0.1	—
Scimitar Mngd Exempt	141.6	147.4	—	—

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intal Income Units	129.2	137.4	—	3.38
Intal Accum Units	197.5	210.1	—	3.38
UK General Acc	39.0	41.7	+0.6	3.98
UK General Inc	37.5	40.1	+0.6	3.98
American	28.0	29.9	+0.2	2.13
European	35.0	37.4	+0.2	1.26
Japan	57.7	61.7	+1.1	0.05
Technology	35.1	37.5	-0.2	2.29
Performance Trusts				
Far East Perf Tst	19.0	20.3	+0.4	2.00
High Inc Perf Tst Inc	24.6	26.3	+0.3	5.36
High Inc Perf Tst Acc	25.1	26.8	+0.3	5.36
Worldwide Tact Perf Tst	28.7	30.7	-0.1	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	216.1	231.2	+3.6	2.60
Columbus (US)	132.5	141.8	+3.1	1.28
Marco Polo (Pac)	216.5	231.6	+3.8	0.20
Da Vinci (Eur)	223.9	239.5	+1.7	3.32
Drake (Wd)	53.7	57.5	-0.7	2.83

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

KK Equity	207.9	221.2	+2.7	2.67
K4 Smlr. Cos. Equity	213.0	226.6	+1.3	1.89
UK Special Situations	61.9	65.9	+0.5	3.48
Income Plus	53.1	56.5	+0.2	5.58
European	162.3	172.7	+2.0	1.39
Far Eastern	53.2	56.6	-0.7	1.80
Japanese	54.9	58.5	-0.7	—
North American	114.7	122.1	+1.4	1.19
International Growth	109.2	116.2	+1.3	1.11
Worldwide Venture	53.6	57.1	+0.5	3.31

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

TUUT Mar 1	212.9	225.7	—	3.22

Triton Fd Mngrs. Ltd.
Royal Lde. Hse. Colchester CO1 1RA 0206 764400

Triton General	147.3	158.4	—	1.58

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	60.1	63.8	+0.3	6.06
Accum Units	61.9	65.6	+0.3	—
Income	81.7	86.7	+0.5	4.31
Accum Units	81.7	86.7	+0.5	—
Smaller Co's	85.2	90.5	+0.8	1.36
Accum Units	86.1	91.2	+0.7	—
UK Growth	87.0	92.2	+0.7	2.19
Accum Units	88.1	93.4	+0.7	—
Pacific Gold Tst Acc	47.6	50.5	—	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	60.3	64.2	+0.9	1.87
Technical Analysis Fd	51.2	54.3	+0.5	3.35

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 4064
Advisors. Henderson Crosthwaite Ltd

Friars Hse Cap Fd	179.6	191.1	—	1.97
Friars Hse Inc Fd	154.0	162.1	—	5.35

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	173.2	184.8	+2.1	4.54

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3055
Dealing Line: 01-236 2468

Giltfriars	102.8	104.5	+1.2	1.54
(Accum Units)	107.0	108.9	+1.2	1.54
Far East & Gen	54.9	58.4	+1.0	—
(Accum Units)	54.9	58.4	+1.0	—
Master Portfolio	64.561	68.768	-0.044	3.07
(Accum Units)	65.425	70.159	+0.047	3.07
American & Gen	56.6	60.2	+0.8	1.03
(Accum Units)	57.4	61.1	+1.0	1.03
Growth	211.1	224.6	-1.0	2.08
(Accum Units)	318.4	338.7	-1.6	2.08
High Yield	272.7	290.0	-0.6	4.30
(Accum Units)	291.4	310.0	-0.6	4.30

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INSURANCES

[illegible]

Continued on next page

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Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	381.7	401.9	—	—
Eb'r Ph. Eq.	316.0	337.6	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	169.6	178.5	+2.6	—
International Acc.	129.2	135.9	+1.6	—
Property Acc.	125.6	132.2	—	—
Fixed Interest Acc.	155.7	163.8	—	—
Money Acc.	137.3	144.5	+0.1	—
Bldg. Soc. Link Acc.	134.5	141.5	+0.1	—
Special Mngd. Acc.	149.2	157.0	+1.3	—
Phoenix/Framlington				
Intnl. Growth Acc.	88.2	92.0	−0.5	—
Amer. & Gen. Acc.	90.5	94.7	+0.9	—
Capital Tst. Acc.	173.4	184.6	+0.7	—
Japan & Gen Acc.	178.8	188.2	−1.4	—
American Turn. Acc.	83.1	87.4	−0.4	—
Recovery Tst. Acc.	170.6	179.5	−1.9	—
Special Mngd Acc.	143.3	150.8	−0.3	—
Phoenix/GT				
International Acc.	120.2	126.5	+0.1	—
US & General Acc.	89.0	93.6	+0.2	—
Amer Spec Sits Acc.	64.7	68.1	+0.2	—
Japan & General Acc.	173.7	182.8	+0.4	—
Far East & Gen. Acc.	137.1	144.3	−1.1	—
UK Capital Acc.	173.4	182.5	−0.1	—
European Acc.	132.3	139.4	−0.4	—
Special Mngd. Acc.	125.4	131.9	+0.2	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	268.6	282.8	—	—
Man Pens Int & Cap Fd.	344.6	362.8	—	—
Money Fund	111.6	117.5	—	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
10Nov 10May	Exch 10½pc '88	100¾	5.10	10.47	8.44
14Dec 14Jun	Treas 9¾pc Cv '88	100¾	9.11	9.73	8.38
1Jan 1Jul	Transport 3pc '78-88	98	25.11	3.03	6.62
25 Apr 25 Oct	Treas 9½pc '88	100	10.9	9.46	8.72
22 Aug 22 Feb	Treas 11½pc 1989	102	18.1	11.23	8.72
18 Oct 18 Apr	Treas 9½pc Cnv 1989	100	11.9	9.42	8.68
15Nov 15May	Treas 5pc 1986-89	96	9.10	3.13	6.67
14Dec 14Jun	Treas 10½pc 1989	101	9.11	10.30	8.80
1Feb 1Aug	Exch 10pc 1989	101	29.12	9.85	8.78
29 Mar 29 Sep	Exch 11pc 1989	103xd	24.2	10.67	8.79
15 Apr 15 Oct	Treas 5pc 1986-89	96	9.3	5.20	7.65
15 May 15 Nov	Exch 10¼pc Cv '89	104	9.10	9.84	7.46
15 Jul 15 Jan	Treas 13pc 1990	106	9.12	12.17	8.83
12 Aug 12 Feb	Exch 11pc 1990	103⅝	6.1	10.61	8.84
22 Sep 22 Mar	Exch 12½pc 1990	106	17.8	11.75	8.95
8 Nov 8 May	Treas 3pc 1990	92	2.10	3.26	7.11
13 Dec 15 Jun	Treas 8¼pc 1987-90	99	9.11	8.33	8.74
16Jul 16Jan	Treas 9pc Cv 1990	101	–	7.92	7.48
25 Apr 25 Oct	Treas 10pc Cv 1990	102	18.9	9.77	8.95
22 May 22 Nov	Exch 2½pc 1990	89⅝	16.10	2.79	6.83
10 Jul 10 Jan	Treas 11¼pc 1991	106	4.12	11.00	8.94
5 Oct 5 Apr	Funding 5¾pc '87-91	93	1.9	6.14	8.16
13 Nov 13 May	Treas 3pc 1991	88	7.10	3.40	7.20
12 Jan 12 Jul	Treas 10pc Cv '91	104	7.12	9.59	8.48

BRITISH FUNDS – Contd

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
25Mar 25Sep	Treas 8pc 2009	90xd	19.8	8.75	8.89
12Jan 12Jul	Conv 9pc Ln 2011	100	7.12	8.98	8.98
10Mar 10Sep	Treas 5½pc 2008-12	67	2.2	8.18	8.77
26Jul 26Jan	Treas 7¾pc 2012-15	87	21.12	8.80	8.92
12Jun 12Dec	Exch 12pc '13-'17	128	5.11	9.30	9.06

Undated

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1Feb 1Aug	Consols 4pc	44	29.12	9.09	–
1Jun 1Dec	War Loan 3½pc	39	26.10	8.93	–
1Apr 1Oct	Conv 3½pc '61 Aft	50xd	24.2	6.89	–
5Apr 5Oct	Treas 3pc '66 Aft	32xd	1.3	9.18	–
5Ja Ap Jul Oct	Consols 2½pc	27xd	1.3	8.99	–
1Apr 1Oct	Treas 2½pc	27xd	24.2	8.99	–

Index-Linked

Interest Due	Stock	Price £	Last xd	(1)	(2)
25 Jul 25 Jan	Treas 2pc IL '90(333.9)	118	21.12	1.00	2.32
23Sep 23Mar	Do. 2pc '92(385.8)	99	17.8	2.18	2.80
16Mar 16Sep	Do. 2pc '96(267.9)	131	8.2	3.25	2.95
24Mar 24Sep	Do 2½pc '01 (308.8)	109⅝xd	18.8	3.70	3.92
20Nov 20May	Do. 2½pc '03(310.7)	107	14.10	3.72	3.91
19Jan 19Jul	Do. 2pc '06(274.1)	108⅝	14.12	3.77	3.93
20Nov 20May	Do. 2½pc '09(310.7)	102	14.10	3.76	3.91
23Feb 23Aug	Do. 2½pc '11(294.1)	106	10.1	3.76	3.90
16Feb 16Aug	Do. 2½pc '13(351.9)	88	11.1	3.73	3.86
26Jan 26Jul	Do. 2½pc '16(322.0)	95	21.12	3.68	3.81
16Oct 16Apr	Do. 2½pc '20 (327.3)	93xd	18.3	3.62	3.73
17Jan 17Jul	Do. 2½pc '24 (385.3)	78	15.02	3.57	3.68

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Yield
1May 1Nov	Greek 7pc Ass	45	2.11	3.50	f7.78
1Feb 1Aug	Do. 6pc 20 Stb. Ass	45	1.2	3	f6.67
1Apr 1Oct	Do 4pc Mixed Ass	45	1.10	2	f4.44
1May	Hung. '24 Ass.	65	1.5	2.75	f4.23
31May 30Nov	Hydro Quebec 15pc 2011	159	29.10	15.00	10.45
31Jan 31Jul	Iceland 14½pc Ln 2016	126	4.1	14.50	11.32
1Mar 1Sep	Ireland 9¾pc '91-96	100	1.2	9.75	9.70

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Fb My Ag Nv	Abbott Laboratories	26⅞	12.1	$1.00	–	2.0
–	Allegheny & W 1c	527p	–	30c	–	3.1
Mr Jn Se De	Amax $1	10¾	5.85	–	–	–
Nv Mr Jn Ag	Amdahl 5c	19⅞	5.11	20c	–	0.6
Mr Je Se De	Amer Cyanamid $5	27⅝	22.2	$1.05	–	2.1
Fb My Ag Nv	Amer. Express 60c	18	12.1	76c	–	2.8
Fb My Au Nv	Amer. Medical Int. $1	814p	11.1	72c	–	4.8
Fb My Ap Nv	American T. & T. $1	13¾	25.9	$1.20	–	4.2
Fb My Ap Nv	Ameritech $1	51½	29.12	$4.72	–	5.0
Mr Je Se De	Amfac	18⅝	11.84	–	–	–
Mr Jn Se De	Anheuser-Busch $1	17	–	60c	–	1.9

Continued on next page

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fnds Money Mngmt Co Ltd Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	8.09	6.09	8.53	3-mth
CAFCASH 7-day Fund	8.09	6.09	8.53	3-mth
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	8.40	–	8.67	–
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	8.31	6.25	8.70	6-Mth
7-day Fund	8.34	6.20	8.36	6-Mth
Dollar	5.37	4.04	5.62	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
AAB–Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-629 [illegible]				
HICA, HICMA	8.625	6.49	9.16	Mth
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	8.00	6.00	8.40	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	7.75	5.83	6.17	Qtr
[illegible]	7.50	5.64	7.93	Mth
Mth. Int. Chq. £5,000+	7.75	5.83	8.21	Mth
Bank of Ireland 36 Queen St, EC4R 1BN 01-329 4500				
High Int Cheq Acc	7.973	6.000	8.22	Qtr
£10,000+	8.372	6.300	8.65	Qtr
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-726 1000				
£2,000 to £9,999	8.00	6.125	8.39	Qtr
£10,000 and above	8.125	6.25	8.56	Qtr
Oppenheimer Money Mngmt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct	8.125	6.11	8.56	–
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	8.25	6.21	8.70	Qtr
Provincial Bank PLC 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. (£1,000+)	8.75	6.58	9.30	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE 031-557 0201				
Premium Account	8.125	6.11	8.57	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB 0708 766966				
H.I.B.A.	7.64	5.75	8.11	Daily
Tyndall & Co Ltd 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	8.32	6.26	8.70	Qtr
Money Acc	8.13	6.12	8.58	Qtr
Client Plus Acc	8.12	6.11	8.56	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	7.75	5.83	8.21	Mthly
£10,000 and above	8.00	6.02	8.48	Mthly
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 224141				
High Int Chq Acc	8.56	6.44	9.02	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1 7AE 01-606 9485				
High Int Cheque Acc	9.15	6.89	9.69	Qtr

NOTES–Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers–compounded annual rate Int Cr frequency interest credited

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's opening price. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ★ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

LONDON SHARE SERVICE

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♯ Price at time of suspension
- §§ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. [illegible] Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page

Shand
Committed to Construction

Shand Ltd.
Shand House, Matlock
Derbyshire DE4 3AF
Tel: (0629) 734441

CONTRACTS

City of London office project

Developers Speyhawk Mount Row has appointed AMEC PROJECTS as management contractors for a £9m office development. The project entails demolition of Navigation House (No 1 Aldgate, London) and the erection of a seven-storey office block on the cleared land. AMEC has awarded the first work packages and initial site operations have started.

The building will provide around 60,000 sq ft of office accommodation, including basement parking, and will be constructed to the shell-and-core level by AMEC, with passenger and car lifts and services installed and all common areas and facilities finished. The shell-and-core stage will be completed using the fast-track approach in 73 weeks which, AMEC Projects believes, represents a 24 week saving over traditional techniques.

Bracknell base for Panasonic

SHEPHERD has secured the near £14m contract to design and build Panasonic (UK)'s new European headquarters, office and warehouse complax at Bracknell, Berkshire for Shimizu (UK). The contract is to be completed just 13 months after starting on site.

Located on a 16.5 acres site on Bracknell's Park One development area, Panasonic's headquarters will comprise 30,000m sq metres of warehousing and office accommodation. The project is to be built by the same team from Shepherd Construction which has already worked with Shimizu. Work on site has started for completion at the end of March 1989.

Sainsbury superstore for Somerset town scheme

Record orders totalling £19.3m have been won by ERNEST IRELAND CONSTRUCTION of Bath, the western division of Mowlem Regional Construction. The largest, valued at £2.3m, is a Sainsbury's superstore at Bridgewater being undertaken for London Retail Investments. The 5,250 sq metres store is being constructed on piled foundations with a composite precast concrete and steel frame and will be brick clad. There will be a part tiled roof. Substantial external works include a petrol filling station and large areas of car parking. Work has just started for completion in October, when the shell will be handed over to Sainsbury's for fitting out.

Under a separate £700,000 contract from the same client Ernest Ireland's civil engineering division will be constructing a bridge over the nearby River Parrett to improve access to the superstore.

At Radstock, Somerset, C & J Clark has awarded the company a £1.4m design and construct contract for a factory extension. Covering 5,575 sq metres, it will be adjacent to Clark's St Peter's factory and will provide additional production facilities with associated staff amenities.

On the Somerset coast, at Brean near Weston-super-Mare, the company has a £1.1m contract from Mercury Communications to construct a cable terminal building for its fibre optic cable PTATI, for private transatlantic telecommunications.

Other substantial contracts include a centre comprising a single and double-storey building for The Church of Jesus Christ of Latter Day Saints in Portsmouth (£983,678) and a two-storey craft block at Bryanston School, Blandford (£863,000).

Upgrading motorways

ARC CONSTRUCTION has been awarded a £9.7m subcontract by Balfour Beatty to lay some 312,000 tonnes of coated materials on the M25 motorway widening improvements between junctions 10 and 13 in Surrey. During the first part of the contract, the construction team will be working at night to minimise disruption to traffic flow.

Diverse workload for Try

The TRY CONSTRUCTION GROUP has secured contracts which together are worth over £12m. The mixture ranges from medical buildings to further work at the Tower of London.

Largest of the awards is for Try Construction at Slough to erect two buildings for Slough Estates at a cost of £4.3m. The buildings comprise a two-storey in situ concrete office block and a steel portal frame warehouse. Work is due to be completed in under a year. The company has a further contract worth £2.2m for a high security computer centre in Dunstable where work has already begun.

Try Build, the Group's small works and refurbishment arm, has contracts which total £8m. At London's Queen Charlotte Hospital the company has an order for £1.2m for the refurbishment of the obstetrics and gynaecological services department. Further west, in Ealing, 29 elderly persons flats are to be built for Cecil Houses Incorporated at a cost of £944,000.

Other Try Build contracts include two industrial units with offices in Guildford for Crusader Insurance (£446,000); a transmission suite at Reigate for the BBC (£179,000); refurbishment projects in Hendon at £500,000 for the National Westminster Bank and for Huntercombe Manor, Slough, at £793,000.

The company has also been awarded two further "Measured Term Contracts" with the PSA. Both are for a three-year period and together worth £2.6m. The work will entail repair and restoration at the Tower of London, and Greenwich, and maintenance of buildings associated with the naval base at Plymouth.

Plant buildings in Bangladesh

TAYLOR WOODROW INTERNATIONAL has been awarded a £2.6m contract to build a pharmaceutical plant in Bangladesh for Ciba-Geigy. Work on the site in the Tongi suburb of Dhaka has started with completion scheduled for April 1989. The contract calls for the construction of a 3,500 sq metre plant with two main buildings. A part two-storey structure will house the plant's production and laboratory facilities while the other building will be a single-storey warehouse. Both buildings will have reinforced concrete frames on concrete pad foundations.

Manchester offices plan

MARPLES INTERNATIONAL has been awarded a £3.8m contract by Donchart, for the construction of a high-quality office development in Manchester, near to the international airport. It comprises three linked blocks, each of three storeys, and providing a total of 8900 sq metres gross floor area.

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Mugs that are tough, colourful and fun, mugs that come in all shapes and sizes, and in all sorts of designs and patterns.

Thin mugs, fat mugs, tall mugs, small mugs, mugs for small hands and for big hands, no matter what your taste we'll have the mug for you.

So go on, make friends with a mug today.

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DIARY DATES

PARLIAMENTARY

TODAY

Commons: Conclusion of Budget debate.

Lords: Betting, Gaming and Lotteries Bill, third reading. Immigration Bill, committee. British Rail (Penalty Fares) Bill, second reading.

Select committees: Home Affairs: subject, radio broadcasting. Witness: Mr Timothy Renton, Home Office Minister of State. (Room 15, 4.15 p.m.)

TOMORROW

Commons: Education Reform Bill, progress on remaining stages. Motions on Social Security regulations.

Lords: Local Government Bill, consideration of Commons reason.

Immigration Bill, committee.

Motions on Merchant Shipping regulations and pneumoconiosis regulations.

Unstarred question on Government planning for foreshore development through private legislation.

Select committees: Transport: subject, decline in the UK registered merchant fleet. Witnesses: DESS, Inland Revenue, and Treasury. (Room 17, 4 p.m.)

Parliamentary Commissioner for Administration: subject, Inquiry into refusal to provide remedy recommended by Health Service Commissioner. Witness: West Glamorgan Health Authority. (Room 6, 4.30 p.m.)

WEDNESDAY

Commons: Education Reform Bill, progress on remaining stages.

Motions on Housing Benefit Regulations.

Lords: Debate on the state of the National Health Service.

Question to Government on the Berkshire Structure Plan.

Select Committees: Trade and Industry: subject, petrol retailing. Witnesses: Shell UK BP Oil. (Room 8, 10.15 a.m.)

Foreign Affairs: subject, the Gulf. Witnesses: Sir John Moberly, Mr Phillip Robins (Room 15, 10.30 a.m.)

Welsh Affairs: subject, inward investment into Wales. Witnesses: DTI officials. (Room 18, 10.45 a.m.)

Energy: subject, the structure, regulation and consequences of electricity privatisation. Witnesses: South of Scotland Electricity Board and North of Scotland Hydro Electric Board. (Room 8, 11 a.m.)

Foreign Affairs: subject, famine in the Horn of Africa. (Room 19, 4 p.m.)

Transport: subject, Government reponses to recommendations by committee between 1983-87. Witness: Department of Transport. (Room 17, 4 p.m.)

Home Affairs: subject, broadcasting. Witnesses: Advertising Association; Incorporated Society of British Advertisers. (Room 15, 4.15 p.m.)

Public Accounts: subject, ECGD. Witness: Chief Executive. (Room 16, 4.15 p.m.)

Social Services: subject, resourcing the NHS. Witnesses: Mr John Moore, Secretary of State, and Mr Tony Newton, Health Minister. (Room 20, 4.15 p.m.)

Environment: subject, air pollution. Witness: Nature Conservancy Council. (Room 21, 4.30 p.m.)

Trade and Industry: subject, petrol retailing. Witnesses: Kuwait Petroleum; Esso Petroleum. (Room 8, 4.30 p.m.)

Treasury and Civil Service: subject, the Budget. Witnesses: Treasury officials. (Room 8, 4.30 p.m.)

Defence: subject, the Royal Navy's surface fleet and naval manpower. Witness: Ministry of Defence. (Room 5, 4.50 p.m.)

THURSDAY

Commons: Education Reform Bill, progress on remaining stages.

Lords: Regional Development Grants (Termination Bill), second reading.

Hampstead Radio Station Bill, second reading.

Motion on Financial Services Act, 1986 Extension Order, and on Wages (Northern Ireland) Order.

FRIDAY

Commons: Motion for the Easter adjournment.

Motion on the EC document on the establishment of a Court of First Instance.

Lords: Debate on the report of the Select Committee on the Infant Life (Preservation) Bill.

FINANCIAL

TODAY

COMPANY MEETINGS—

[illegible]

BOARD MEETINGS—

[illegible]

DIVIDEND & INTEREST PAYMENTS—

[illegible]

TOMORROW

[illegible]

WEDNESDAY MARCH 23

[illegible]

THURSDAY MARCH 24

[illegible]

FRIDAY MARCH 25

[illegible]

East Anglian Water, Victoria Hotel, Kirkley Cliff, Lowestoft, 2.30
Greenfriar Inv., 3, Finsbury Avenue, E.C., 2.30
Sutton District Water, 59, Gander Green Lane, Cheam, Sutton, 3.30
BOARD MEETINGS—
Finals:
Arnotts
Automated Security
Barro Inds.
Semrose Corps.
Brake Brothers
Catalyst Communications
Central Independent Television

[illegible]
Trent Hldgs. 0.5p
Vantage Securities 2p
Warner Estate Hldgs. 18.5p

SATURDAY MARCH 26

DIVIDEND & INTEREST PAYMENTS—
Bournemouth & District Water 3.5% Cons. 1.75p
Exchequer 12¼% 1999 [illegible]
Mid-Southern Water 3.5% Cons. 1.75p
Treasury 13½% 2004/08 [illegible]
Vaux Group 11¾% Deb. 2010 [illegible]
Do. [illegible] Deb. 2015 [illegible]

SUNDAY MARCH 27

DIVIDEND & INTEREST PAYMENTS—
Scottish Life Assurance [illegible] Un. Ln. 1997/2002 [illegible]

EXPORT SEMINARS 1988

BRITISH CHAMBER OF COMMERCE IN GERMANY
in association with the DTI

"PUTTING DOWN ROOTS IN GERMANY"

Slough, 29 March 1988
Contact: S. Bucks and E. Berks Chamber of Commerce
Tel: Slough (0753) 77877

Leeds, 30 March 1988
Contact: Leeds Chamber of Commerce and Industry
Tel: Leeds (0532) 430491

Birmingham, 31 March 1988
Contact: Birmingham Chamber of Commerce and Industry
Tel: Birmingham (021) 454 6171

Attendance on each day - £46 INC VAT

Trade Fairs and Exhibitions: UK

Current
Daily Mail Ideal Home Exhibition (01-222 9341) (until April 4)
Earls Court

Current
Antiques Fair (04447 2514) (until March 26)
Old Town Hall, Chelsea

Current
International Cycle & Leisure Fair – CYCLE (01-390 2211) (until March 22)
Olympia

March 21-24
Materials Testing Exhibition (07072 75641)
NEC, Birmingham

March 23-25
Fashion Fabrex (01-385 1200)
Olympia

March 27
Antiques and Collectors Fair (01-883 7061)
Alexandra Palace, London

March 28-30
London International Book Fair (01-940 6065)
Olympia

March 29-31
Scottish International Food & Drink Sales Equipment Exhibitions (031-225 5486)
Scottish Exhibition Centre, Glasgow

April 11-15
International Fire & Safety Exhibition and Conference – IFSEC (01-446 8211)
Olympia

April 13-15
London Secretary Show (01-900 1234)
Business Design Centre, London

Overseas Exhibitions

Current
Agriculture, Irrigation & Agri-Industry Exhibition – SAUDI AGRICULTURE (01-486 1951) (until March 24)
Riyadh

March 21-25
International Gift, Jewellery & Stationery Spring Show (Taipei(02)725 1111)
Taipei

April 5-11
Anglo-Jordanian Trade Fair (01-409 0765)
Amman

April 16-21
International Consumer Goods Fair (021-455 9600)
Brno

April 19-21
International Trade Fair for Clothing Textiles – INTERSTOFF (01-734 0543)
Frankfurt

April 26-May 2
International Machine Tool Show (01-439 0501) – SIMTOS
Seoul

May 3-6
International Vehicla Industry Suppliers Exhibition – SITEV (02403 29406)
Geneva

Business and Management Conferences

March 21
Institute for International Research: Compliance with the capital adequacy regulations (01-434 1017)
Park Lane Hotel, London W1

March 21-22
Eurmoney: Futures and options (01-236 3288)
Grosvenor House, London W1

March 24
The Electricity Consumers' Council: Privatising electricity – a chance for change?
The Hotel Russell, London WC1

March 24-25
Financial Times Conferences: Technology in the international securities markets (01-925 2323)
Hotel Inter-Continental, W1

March 24-25
DRI Europe: International economic outlook conference - 1988/90 The years of living dangerously, world imbalances, currencies and equities (01-222 9571)
Hyatt Regency Hotel, Brussels

March 28-29
International Bulk Journal: Bulkship '88 conference - what really lies ahead? (0306 887483)
London Marriott Hotel

March 28-29
The Economist: Doing business with the new Japan (01-839 7000)
Park Lane Hotel, London W1

March 30
Oracle Business Information: Financial reporting for general insurance companies
C.F.S. Conference Centre, London W1

April 6-8
IBC and Information Intel: Information for profit - on-line information for the business decision-maker and user (01-236 4080) (Conference and exhibition sponsored by the BIM, CIMA, DTI and the ICAEW)
Queen Elizabeth II Conference Centre, Westminster

April 11-12
Department of Trade and Industry: Profit through materials technology (01-773 3661)
Leeds.

April 11
Hawksmere: Music royalties (01-824 8257)
Cavendish Conference Centre, London W1

April 12-13
Financial Times Conferences: The Newspaper industry – a perspective on the next five years (01-925 2323)
Hotel Inter-Continental, London W1

April 18-19
Financial Times Conferences: The challenge to recovery and growth – finding solutions to Africa's external debt (01-925 2323)
Hotel Inter-Continental, London W1

April 19
DC Gardner & Co: Indexation and passive management (01-283 7962)
London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

THE CHALLENGE TO RECOVERY & GROWTH: FINDING SOLUTIONS TO AFRICA'S EXTERNAL DEBT
London, 18 & 19 April 1988

This major event, one of the first bringing together bankers, officials and industrialists from African countries and the *OECD states*, is a joint initiative of the African Development Bank and the Financial Times.

The African speakers include Mr Babacar N'Diaye from the African Development Bank Group; Dr Salah Hamed from the Central Bank of Egypt; The Hon Luke Mwananshiku, MP, Minister for Foriegn Affairs, Zambia; Mr Maurice Seri Gnoleba, Minister of State, Cote d'Ivoire; Mr Abdulkadir Ahmed, from the Central Bank of Nigeria; Mr Casimir Oye Mba from Banque des Etats de l'Afrique Centrale, Cameroon; Professor Kinzonzi Mvutukidi Ngindu, State Commissioner for Finance, Zaire and Mr Bernard Chidzero, Senior Minister of Finance, Economic Planning Development, Zimbabwe.

Speakers from Europe and North America are The Rt Hon David Steel, MP, Leader of the British Liberal Party, Mr Chris Patten, MP, Minister for Overseas Development, UK; Mr Jean-Claude Trichet, Director of the Treasury, France; Dr Irving Friedman, formerly Senior Adviser to the ADB; Mr Dieter Frisch from the Commission of the European Communities; Mr John Bohn, Jr from the Export- Import Bank of the United States; Mr Jack Clark from Citibank NA, USA; Mr David Suratgar from Morgan Grenfell Group plc, UK and Michel Freyche from Banque Francaise du Commerce Exterieur.

The International Monetary Fund and World Bank will be represented by Mr Alassane Ouattra and Dr Moeen Qureshi.

FINANCE FOR GROWTH
London, 5 May 1988

The Financial Times is joining forces with the City C3 Club and the *National* Computing Centre to arrange their fifth Finance for Growth seminar and exhibition. The event provides a unique opportunity for businesses looking for funding, or established management teams seeking financial backing, to meet advisers and potential investors.

The aim of this one-day seminar is to review the sources for entrepreneurial investment and how to set about raising funding, to examine how much it will cost, how long it will take in time and effort. A parallel exhibition, sponsored by some of the leading financial institutions and consulants in the UK, will help delegates identify the right type of funding operation.

BUSINESS WITH SPAIN
Madrid, 9 & 10 May 1988

Business with Spain is the subject of a high level conference to be held by the Financial Times in association with Cinco Dias in Madrid on 9 & 10 May. Within the two-day programme eminent speakers will consider the economic outlook for Spain and Europe and then go on to assess a number of major issues of interest to the international business community.

Contributors include Dr Martin Bangemann, Minister of Economics, Federal Republic of Germany. D. Luis Carlos Croissier, *Minister of* Industry & Energy. D. Mariano Rubio Jimenez, Govenor of the Bank of Spain, Mr Peter Leslie, Deputy Chairman & Managing Director of Barclays Bank, *Mr Fouad Jaffar, Deputy Chairman & General Manager* of the Kuwait Investment Office, D.Guillermo de la Dehesa, Secretary of State for the Economy and Mr Peter Sutherland, Member of the Commission of the European Community.

All enquiries should be addressed to:

The Financial Times Conference Organisation,
2nd Floor, 126 Jermyn Street,
London SW1Y 4UJ.
Tel: 01-925 2323 (24 Hour answering service)
Telex: 27347 FT CONF G
Fax 01-925 2125

WORLD STOCK MARKETS

AUSTRIA

1987-88 High	Low	March 18	Price Sch %
2,410	1,810	Creditanstalt	2,005
3,450	2,460	Goesser	2,870
13,200	9,650	Interunfall	9,730
14,000	4,660	Jungbunzlauer	6,500
432	319	Laenderbank	335
780	555	Perlmooser	650
167	95	Steyr-Daimler	94
1,113	555	Veitscher Mag	670

BELGIUM/LUXEMBOURG

1987-88 High	Low	March 18	Price Frs.
3,465	2,270	B.B.L.	2,800
16,000	13,300	Banque Gen. Du L.	13,600
15,200	4,260	Bank Int. A	13,000
13,175	6,700	Bekaert B	9,490
6,880	3,770	Ciment CBR	5,300
193	117	Cockerill	184
12,100	4,800	Colruyt	7,800
5,050	2,500	Delhaize	4,150
5,500	4,060	EBES	4,800
2,700	465	Fabrique Nat	736
1,650	750	GB Inno BM	1,292
4,525	2,035	GBL(BruxL)	3,120
6,850	4,100	Generale Bank	5,600
9,260	5,660	Gevaert	7,450
9,100	5,640	Hoboken	7,300
4,510	3,160	Intercom	3,850
4,900	2,990	Kredietbank	3,810
13,650	10,300	Pan Holdings	11,000
14,125	8,030	Petrofina	11,250
1,870	1,262	Raffinerie Tirle	1,498
8,000	3,940	Royale Belge	5,570
7,950	2,040	Soc Gen Belge	7,600
16,350	8,000	Sofina	12,500
15,850	8,270	Solvay	11,500
187	62	Stanwick Intl	150
8,550	4,830	Tractebel	7,090
11,950	6,640	UCB	8,900
6,000	3,000	Wagons Lits	5,010

DENMARK

1987-88 High	Low	March 18	Price Kr %
2,100	390	Baltica Hldgs	450
288	218	Cop Handelsbank	233
410	261	D. Sukkerfab	318
375	292	Den Danske Bank	324
228	160	East Asiatic	181
1,040	800	Forenede Bryggl	1,010
357	191	GNT Holding	211
711	675	I.S.S. B Systems	705
575	400	Jyske Bank	440
298	134	Novo Inds	181
295	212	Privatbanken	212
1,090	675	Sophus Berendsen	852
[illegible]	[illegible]	[illegible]	[illegible]

FRANCE (continued)

1987-88 High	Low	March 18	Price Frs.
3,895	2,020	Carrefour	2,130
746	322	Club Mediterranee	442
1,185	304	Cie Bancaire	442
293	211	Cie Fin. de Suez	225
407	270	Coflmeg	295
347	181.8	CGE	233.1
3,300	1,310	Dassault	2,110
545	266	Darty	330
1,280	401	Dumez S.A.	526
1,543	990	Eaux (Cie Gen)	1,030
398	218	Elf-Aquitaine	274
4,230	1,800	Essilor	2,311
1,380	545	Gen. Occidentale	720
632.5	374	Havas	526
194.5	84.6	Imetal	163.5
2,985	1,299	LVMH	1,792
1,760	968	Lafarge Coppee	1,165
4,053	2,070	L'Oreal	2,900
3,350	1,900	Legrand	2,450
196	30	Maisons Phenix	49
239	107	Matra S.A.	145
384	136	Michelin B	187
1,734	780	Midi (Cie)	1,230
119	37	Moulinex	54
229	71	Nord Est	86
549	257	Paribas	313
1,186	600	Pernod Ricard	702
927	481	Perrier	610
1,678	790	Peugeot S.A.	923
810	325	Printemps Au	393
1,810	677	Radiotech	873
3,600	1,910	Redoute	2,180 #
1,925	490	Roussel-Uclaf	834
525	380	St Gobain	420
500	365	Sefimeg	427
1,560	630	Skis Rossignol	746
5,505	2,520	Telemech Elect	5,505 #
349	120	Thomson (CSF)	167
558	323	Total-Petroles Fr.	346
710	316	Valeo	412

GERMANY

1987-88 High	Low	March 18	Price Dm.
340.2	166.5	AEG	255.5
1,976	927	Allianz AG	1,449
346.7	223	BASF	252.6
377.3	237.1	Bayer	274.7
563	298	Bayer-Hypo	365
523	291	Bayer-Verein	361
543	271	BHF-Bank	357.5
787	383	BMW	540
369	270	Brown Boveri	316
312	193.5	Commerzbank	239.5
374	169.5	Cont'l Gummi	259
1,220	527	Daimler-Benz	706
579	274.5	Degussa	351.5
254	136	D'sche Babcock	158
[illegible]	[illegible]	[illegible]	[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices March 18

[illegible]

MONTREAL

Closing prices March 18

[illegible]

Total Sales 6,244,500 shares

OVER-THE-COUNTER

Nasdaq national market, Closing prices, March 18

Continued from Page 37

[illegible]

INDICES

NEW YORK — DOW JONES

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CANADA

[illegible]

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London · Frankfurt · New York

Closing prices, March 18.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.4	22	892	25⅛	24½	25	+½
38⅛	21	AFG s	.16	.5	14	2155	32½	32¼	32¼	−⅛
27	10½	AGS s			16	1219	19½	19½	18⅛	
10½	5	AMCA				198	5⅛	5	5⅛	−¼
9	9¼	AM Intl				2696	4⅞	4⅛	4⅞	+⅛
65½	28¾	AMR			13	6268	44¼	43	43⅝	−¼
27¼	24⅞	ANR pf 2.67		10.		3	26½	26½	26½	+½
12¼	6⅞	ARX			6	345	8⅝	8⅝	8⅝	−⅛
73½	48⅛	ASA	3	6.9		500	46	45⅝	45¾	−⅝
22⅝	9½	AVX			15	210	18⅛	17⅝	17⅞	−½
67	40	AbtLab1.20		2.4	16	10249	50¾	49¾	50¼	+⅞
38	15⅝	Abitibi g				556	20¾	20	20¼	+½
18¾	8½	AcmeC .40		3.2		174	12⅞	12⅝	12⅝	−⅜
10½	6⅞	AcmeE.32b		3.9	32	25	8⅛	8⅛	8⅛	−⅛
20	14⅛	AdaEx 3.05e		19.		180	16⅜	16⅛	16⅛	−¼
19½	6⅞	AdamM.24		1.9	10	88	16¼	12⅞	12⅞	+½
24⅞	7½	AMD				7683	12⅞	12¼	12½	+⅛
56¾	29¼	AMD pf	3	8.2		53	37¼	36½	36⅝	−½
11⅞	4⅝	Adobe			14	284	8½	7⅞	8¼	+¾
20½	16¼	Adob pf 1.84		10.		4	18¼	18⅛	18¼	
15	6⅛	Advest .12a		1.6	6	168	7⅞	7⅝	7⅝	
67⅞	43½	AetnLf 2.76		6.1	6	4949	46	45¼	45⅝	−⅝
63½	41	AfilPub .40		.6	37	182	64	63⅝	64	+⅛
28⅝	13	Ahmans.88		5.7	6	3057	16½	16⅛	15½	+¼
						154	2⅝	2⅝	2⅝	

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
85	50	Xerox	6	5.2	11	4764	58⅝	57⅛	57¼	−1⅛
50¾	48¾	Xerox pf				100	49⅞	49⅞	49⅞	+⅛
50¾	50	Xerox pf4.13		8.3		63	50	d49¾	49¾	−¼
56⅛	52⅝	Xerox pf5.45		10.		6	52⅝	52½	52½	
34⅝	16⅛	XTRA	.64	2.0	16	76	32½	32	32⅛	
29½	19½	XTRA pf1.94		7.1		10	27¼	27¼	27¼	+¼
33⅞	17½	Yorkin			19	172	30	29½	29½	−¼
7¼	2¼	Zapata				236	3¼	3⅛	3⅛	
37	13½	Zayre	.40	1.8	10	3640	22½	21½	21⅝	−⅜
16⅜	6¾	Zemex	.40	3.6	14	10	11	10⅞	11	+⅛
33⅝	10	ZenithE				1228	18	17⅜	17½	−⅜
13½	2½	ZenLab				390	3	2¾	2⅞	−⅛
24	13½	ZenNtl	.80	4.0	10	224	20⅛	19¾	19⅞	+¼
20¾	11⅝	Zero	.80	2.4	15	206	15¼	16	15⅝	−⅛
30¾	15	Zurnin s .68		2.9	10	231	23¾	23½	23⅝	+¼
10⅝	7⅝	Zweig 1.08e		11.		643	10⅛	9⅞	10	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 20 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

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AMEX COMPOSITE CLOSING PRICES

Closing prices, March 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, Closing prices March 18

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound expected to stay strong and UK trade balance to improve

BY COLIN MILLHAM

STERLING MAY continue to dominate attention on the foreign exchanges this week.

The UK Budget and a surprising cut in bank base rates put the spotlight on the pound last week. Recent comments by the Prime Minister and the Chancellor stressed the importance of keeping inflation under control, and lower base rates do not appear to fit in with this philosophy.

The City assumes the Chancellor was sufficiently worried about loss of competitiveness from a rising exchange rate, as the pound attacked DM3.10, to feel justified in engineering a rate cut.

It was also seen as a move to reassert the Chancellor's control over monetary policy, following pre-Budget press comments about a disagreement between Mr Lawson and Mrs Thatcher on whether upward pressure on the pound should be controlled through lower interest rates.

Mr Marc Hendriks, chief economist at Barings Economics Unit, says he believes another cut in base rates is possible if sterling continues to rise. He added that DM3.15 seems to be a level where the authorities might be sufficiently concerned to send further signals to the market.

Mr Mark Cliffe, economist at Nomura Research Institute also sees the possibility of another cut in interest rates, while Mr Stephen Hannah, economist at County NatWest does not rule out a reduction.

The pound's reversal on Friday was generally regarded as temporary, and based on profit taking. Upward pressure could build again very quickly, according to Mr Hendriks.

There should be little to move sterling in the early part of the week, as the market waits for Friday, when figures on UK trade and inflation will be published.

City economists expect an improvement from the record £1.51bn visible trade deficit and £905 current account shortfall in January. It would also not be considered surprising if January's figures are revised down.

Forecasts tend to depend on how high a level of distortion economists believe was in the January deficit.

Barings, and County NatWest are prepared to accept that the level of exports was artificially low to the Common Market in January, and that there was a marked improvement in February.

Barings forecasts a visible deficit of £600m and a flat current account. County NatWest sees a visible deficit of £700m and a current account deficit of £100m.

Nomura finds the trade figures hard to forecast and thinks they will also be difficult to interpret. A visible deficit of £900m is looked for, and a current account shortfall of £300m.

Greenwell Montagu Research suggests there may be an upward move in the UK invisible surplus to £700m, and after forecasting a visible deficit of £1bn, also believes the current account deficit will be £300m.

Forecasts from Warburg Securities; Kleinwort Grieveson Securities; and Morgan Grenfell are all just over £1bn for the visible deficit and around £600m for the current account shortfall.

After the recent comments from officials on inflation, Friday's publication of the retail prices index for February will also be watched carefully. A monthly rise of 0.3 p.c., but a fall in the year-on-year inflation rate to 3.2 p.c. from 3.3 p.c., have been widely forecast.

£ IN NEW YORK

Mar 18	Close	Previous Close
£ Spot	1.8245-1.8255	1.8330-1.8340
1 month	0.29-0.28pm	0.31-0.28pm
3 months	0.89-0.84pm	0.91-0.87pm
12 months	3.05-2.90pm	3.11-3.02pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3253	+2.04	+0.83	±1.5344
Danish Krone	7.85212	7.94093	+1.13	-0.08	±1.5404
German D-Mark	2.05853	2.07200	+0.65	-0.56	±1.0981
French Franc	6.90403	7.03562	+1.91	+0.70	±1.3674
Dutch Guilder	2.31943	2.32750	+0.35	-0.86	±1.5012
Irish Punt	0.768411	0.775267	+0.89	-0.32	±1.6684
Italian Lira	1483.58	1533.22	+3.35	+2.74	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

French Fr.	10.495	10.494	10.494	10.493	10.490
Swiss Fr	2.5575	2.5425	2.5146	2.4766	2.4076
Yen	233.75	232.92	231.24	228.62	223.49

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
104	—	37	—	651
106	—	—	—	—
108	—	—	—	—
110	1151	—	1	—
112	953	—	3	—
114	758	—	8	—
116	603	—	17	—

Estimated volume total, Calls 3041 Puts 1304
Previous day's open int. Calls 31453 Puts 22122

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
86	633	603	21	95
88	449	439	37	127
90	310	324	62	212
92	157	225	145	313
94	61	140	249	428
96	30	104	418	556
98	16	42	604	730

Estimated volume total, Calls 0 Puts 55
Previous day's open int. Calls 1327 Puts 1270

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
17000	1525	1753	0	48
17500	1030	1318	5	113
18000	569	936	44	231
18500	226	624	201	419
19000	57	387	532	682
19500	8	223	983	1018
20000	1	119	1476	1414

Estimated volume total, Calls 24 Puts 30
Previous day's open int. Calls 60 Puts 116

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
165	1735	1735	0	2
170	1235	1235	1	14
175	735	748	14	65
180	316	390	106	207
185	84	162	374	479
190	12	52	802	869
195	1	12	1291	1329

Estimated volume total, Calls 1 Puts 0
Previous day's open int. Calls 233 Puts 213

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9200	93	82	5	24
9225	72	63	9	30
9250	52	47	14	39
9275	34	34	21	51
9300	21	24	33	66
9325	12	16	49	83
9350	6	10	60	102

Estimated volume total, Calls 100 Puts 180
Previous day's open int. Calls 2276 Puts 1557

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9025	98	83	3	14
9050	76	65	6	21
9075	56	49	11	30
9100	38	35	18	41
9125	24	24	29	35
9150	14	15	44	71
9175	7	9	62	90

Estimated volume total, Calls 420 Puts 334
Previous day's open int. Calls 2138 Puts 1297

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

Estimated Volume 9(0)
Previous day's open int. 260(260)

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 58,584

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

Europe Ex. UK (637)	92.44
Pacific Ex. Japan (220)	107.37
World Ex. US (1842)	140.25
World Ex. UK (2100)	127.67
World Ex. So. Af. (2366)	128.69
World Ex. Japan (1970)	110.99
The World Index (2427)	128.73

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local)
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CONSTITUENT CHANGES: Deletions: ACI International and Pek-Wallsend (both Australia) and Compteurs (Cie.des) (France).

MONEY MARKETS

US data unlikely to move dollar

SEVERAL US economic statistics will be released this week, but whether there will be any impact on the dollar must be in doubt.

The US currency could be in for a period of stability, with economists seeing a favourable trend in the trade balance. January's deficit of $12.44bn was less than expected, and seasonal factors could result in even better figures for February and March.

UK clearing bank base lending rate
8½ per cent
from March 17

Mr Marc Hendriks, at Barings, says seasonal factors could benefit the US trade balance by $1.5bn to $2bn in these months.

Figures on durable goods orders for February will be published tomorrow. This is a volatile series, and has recently been distorted by aircraft sales. Forecasts range from a fall of 0.8 p.c. to a rise of 0.9 p.c.

February consumer prices on Wednesday are expected to rise 0.2 p.c. to 0.3 p.c., reducing the year-on-year inflation rate to 3.8 p.c. or 3.9 p.c., from 4.0 p.c.

Recent encouraging employment data suggests strong figures on personal income and consumption in February. Income, which rose 0.3 p.c. in January, is forecast to rise 0.6 p.c. to 0.9 p.c. and consumption, which also climbed 0.3 p.c. in January, is expected to rise 0.4 p.c. to 1.0 p.c.

A second revision to fourth quarter US GNP growth is to be announced Wednesday. Any substantial change to the first revision figure of 4.5 p.c. would be a surprise.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar 18) 3 months US dollars		6 months US Dollars	
bid 6⅝	offer 6¾	bid 6⅞	offer 7

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8½	One month	5.19	Three year	7.44
Broker loan rate	7¾	Two month	5.52	Four year	7.71
Fed. funds	6⅝	Three month	5.82	Five year	7.87
Fed. funds at intervention	-	Six month	6.10	Seven year	8.18
		One year	6.65	10-year	8.42
		Two year	7.24	30-year	8.67

Mar.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]						

LONDON MONEY RATES

[illegible]

MAGAZINE PUBLISHING

The Financial Times proposes to publish this survey on:

12th April 1988

For a full editorial synopsis and details of available advertisement positions, please contact:

SARAH PAKENHAM-WALSH on 01-248 8000 ext 4611

or write to her at:

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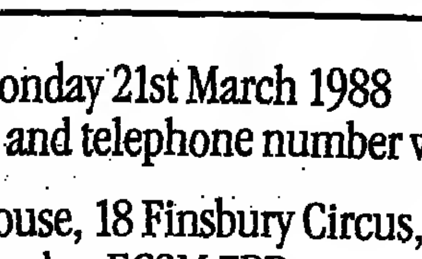
By: The Chase Manhattan Bank, N.A. London, Agent Bank

March 21, 1988



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SECTION III

FINANCIAL TIMES SURVEY

Major changes are taking place in the structure, technique and technology of the express industry, which continues to set records for growth. **Kevin Brown** argues that the movement towards European integration is bound to give an impetus to express traffic

The European impetus

THE COURIER and express industry had a bit of luck recently when the UK's Post Office workers threatened to go on strike, ensuring massive publicity for the "alternative" services of some of the private companies.

Fortunately for the industry, the strike was called off at the 11th hour, so that the rash claims of soma companies that they could replace the Post Office were never put to the test.

For an industry which depends for its continued growth on high profile publicity and increasing public awareness, the threatened strike was a godsend. Best of all, it did not cost anything, since most of the coverage counted as news.

In fact, of course, it was all largely a sham, since even the biggest companies had neither the capacity nor tha financial resources to handle the huge volumes of overnight mail carried by the Post Office.

Mr Peter Towle, chief executive of Securicor Express, put it bluntly when he pointed out that even if all the private companies' resources were combined, they would still be unable to match the Post Office system.

The Government is believed to have the Post Office monopoly of letters valned at less than £1 under review. But even if it decides to break the monopoly, it is already clear that the only viable system of competition is likely to be a licensed duopoly along the lines of British Telecom/Mercury.

Even this may not be tempting enough. As Mr Colin Millbanks, European vice-president of Federal Express, pnts it: "Why should any company want to risk its money in the low margin letter business when it can get a bigger and safer return carrying documents and parcels?"

Postal hype aside, the express industry continues to set records for growth, though it remains difficult to be precise because of the absence of reliable figures.

Various survays have estimated the growth of the European industry at between 20 and 50 per cent, however, and growth at this level is widely expected to continue for several years.

Forecasts for the world market are even harder to obtain, but Emery Airfreight recently estimated the global air cargo market, including express traffic, at around \$18bn, and forecast an increase to \$56bn by 1995, when it expected express traffic to account for over 70 per cent of the market.

Major changes are taking place in the structure, techniques and technology of the express industry, as it begins to mature in Europe and as new competitors seek to win a slice of the action.

This trend has been particularly marked in the development of a three-tier system of same day, overnight/next day, and two to three-day services.

Most attention remains on the overnight market, which operators see as offering the greatest growth potential, and services are being refined by the introduction of options ranging from any time to specific times tailored to individual requirements.

An increasing number of same-day services are being offered, however, in addition to the front-runner in this field, the British Rail Red Star operation. Private companies such as TNT have moved into the market, and the stakes are being increased on all sides by the use of aircraft for trunking services.

At the slower end of the market, the two to three-day services are settling down into a reliable option for the customer who wants delivery faster than the four to five days offered by non-express companies, but does not want to pay the premium for overnight delivery.

A greater divergence is emerging in technique, as some operators persist with the hub and spokes systems which proved so successful for the pioneer US express carriers, and others experiment with other systems.

Most of the big UK operators — FedEx, TNT, Parceline, Interlink and others — have hubs of varying sizes and capacity, and most say their operations would be impossible without them.

On a European scale, Brussels has emerged as the favourite bub location, and Express Mail Services, the joint company handling the express business of 12 national post offices, recently set up its European hub there alongside DHL, FedEx, Pandalink, Securicor and TNT.

The principal company operating without a hub is Securicor Express, which uses 12 sorting centres for its UK distribution operation, linked by overnight road trunking.

Securicor Express says the size of its operation would preclude the use of a hub, though this is at odds with the experience of much larger US operations.

The principle of hubless operations has been extended to AerSecuricor, a joint company set up last month by Securicor and Aer Lingus, the Irish airline.

AerSecuricor was formed to offer Securicor an air link between its existing ground operations in Europe without the cost of investing in its own aircraft, and to give Aer Lingus increased cargo volumes, particularly for its fleet of Boeing 737 Combi aircraft.

The joint company is the first formal venture between a scheduled airline and an express parcels carrier, and follows the allocation of extra-European routes to Aer Lingus under the "fifth freedom" provisions of the European Community agreement on air services, reached in Luxembourg in December.

The establishment of AerSecuricor reflects the impetus being given to the creation of a common European market by the approach of 1992, the date by which member states of the European Community have agreed to abolish internal barriers.

The movement towards European integration is potantially immensely profitable for the express companies, since increasing commercial and business contacts between the 320m members of a single unified market is bound to give an impetus to express traffic.

As a result, operators are already competing to extend the areas to which they can offer overnigbt delivery, and some companies are also beginning to develop same-day services between EC countries.

There is disappointment, however, at the slow progress being made in harmonising fiscal regimes within Europe, and there is great enthusiasm, in particular, for the elimination of different Value Added Tax regimes.

The dramatic expansion in Europe has been accompanied by a push into other parts of the world, notably Australasia and the Far East, but also parts of Africa, as the express companies seek to maximise their geographical coverage.

This process has been stimulated partly by the growth in the popularity of the just-in-tima distribution philosophy, which originated in Japan, and aims to cut inventory costs by tailoring stock delivery to production or retailing schedules.

The advance into Asia grew initially ont of the boom in cross-Pacific trade between tha US, Japan and newly-industrialising countries of the Far East, and much of the forward planning continues to be concentrated there. Fedaral Express, for instance, has long-term plans to move freight across the Pacific at up to Mach 5 in hypersonic aeroplanes.

At the same time, however, there is increasing interest in the Europe/Far East market, caused partly by attempts by Japanese and Korean exporters to diversify away from overdependence on US markets.

Other markets which are rapidly increasing in size and importance include the Middle East, and Nigeria, where IML of the UK offers next-day delivery from London to Lagos and several other large cities.

This expansion into new geographical markets may stand the express companies in good stead as they coma under pressure from electronic data transmission services.

So far, this threat has been more feared than actual, and operators have found that while most customers will turn to electronic transmission for a few sheets of paper, they usually stick to express transport for longer documents.

TNT Skypak, for instance, says it has recorded an increase of 25 per cent in worldwide document traffic in the last year, despite predictions that there would be a decline because of electronic competition.

For some of the big operators, electronic transmission also offers an opportunity to develop an alternative method of linking ground distribution networks.

This route has been pioneered by the UK Post Office, which offers a service known as Intelpost, through which documents can be transmitted to post offices in around 30 countries, and then delivered by messenger.

Several private companies have also experimented with electronic products, notably the Satellite Express service offered by DHL, which is designed to handle drawings and photographs as well as written text.

There have been some casualties, however, including the spectacular collapse of the Zapmail operation set up by Federal Express, which was closed two years ago after losing several hundred million dollars.

The industry also has problems in dealing with the world's customs services, largely because of delays in processing caused by rules drawn up before express deliveries were invented.

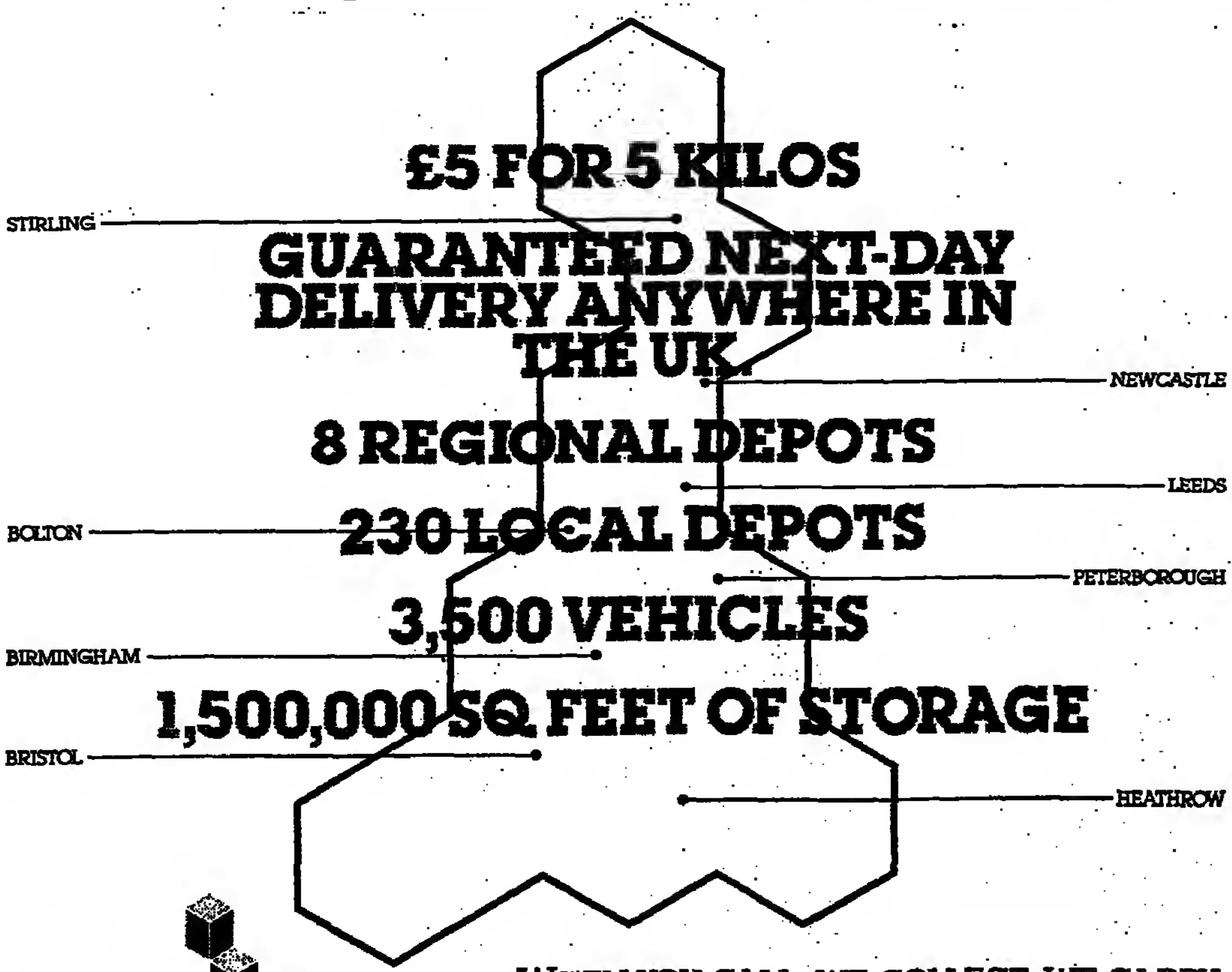
At the end of the day, however, it remains true that the problems facing the express industry are principally those of success.

John Batten

Courier and Express Services

CONTENTS

Announcing the biggest thing in parcels since Cleopatra.



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Customs

Checks holding back the carriers' growth

INTERNATIONAL express delivery poses a serious problem for the world's customs services, which operate largely on the basis of regulations drawn up before the industry was invented.

The difficulty arises principally because of the rapid increase in international express deliveries, which are estimated to have grown from around 5m packages in 1980 to some 40m last year.

This has created an international business worth some $4bn a year, on top of around $12bn in domestic markets. But it has also led to friction between the customs authorities and the companies.

The crux of the problem is that the regulations which govern international consignments were not designed to facilitate rapid delivery across national boundaries.

A delay of one or two days while documents are sorted out is irritating enough for the ordinary shipper. But it is critical to the express industry, which is selling speed above all else.

Customs authorities have responded to the rapid growth of the industry in a number of ways, such as rapid baggage clearance for courier traffic at Heathrow Airport and simpler procedures for low value shipments to the US.

Some customs administrations have also assigned inspectors to the processing and despatch centres, known as "hubs," established by some express operators in Europe and the US.

In addition, consignment parcels sent by the express divisions of national post offices are treated by the customs as mail, which brings them under a separate regulation and reduces transit times.

Predictably, this special treatment for post office services is resented by private companies, which claim it represents anti-competitive discrimination by the supposedly neutral customs authorities.

The private and public operations have begun to close ranks recently, however, recognising that their interests lie in presenting a united front to the customs services in pursuit of greater concessions.

The carriers argue that improvements to the system made by the customs authorities are insufficient, and claim that there is little international harmonisation, so that the rules vary from one country to another.

These claims were given support by a survey carried out for the International Express Couriers' Conference, the body representing the major carriers, by Peat Marwick McLintock, the accountancy firm. The survey indicated that:

- express consignments are being held up by slow handling, which is restricting the carriers' efficiency and restraining growth;
- governments are losing revenue because customs services are too hard pressed to assess duty properly on the increasing flow of packages.

The IECC says the survey showed that even customs authorities themselves could not properly administer the regulations.

Some progress towards speeding up the regime was made in June, at the annual meeting of the Customs Co-operation Council, the United Nations agency which represents 98 of the world's customs authorities.

The council agreed to a series of guidelines designed to harmonise the procedures of individual customs administrations and encourage greater use of computers and electronic transfer of information.

Among other things, customs authorities are encouraged to provide 24-hour services where there is a demand, and to operate at the point of entry/exit to speed up processing operations at hubs.

The guidelines have only advisory status, however, and will be reviewed at the next annual meeting in Brussels in June. The experiment will continue only if the directors of the 98 member authorities are satisfied they are working properly.

Meanwhile, the terms of an accompanying memorandum of understanding between the council and the operators have only recently been agreed, some nine months after it was approved in principle.

This document, described by one of the operators as "a gentlemen's agreement," is largely concerned with preventing the use of express services for drug smuggling, and could obviate the lengthy checks carried out in some countries.

Both operators and customs authorities say the guidelines have made little difference to the treatment of express services so far, although the US has published amendments to its regulations which could take effect later this year.

US customs officials have proved the greatest enthusiasts for radical change in the regime, perhaps because of the long domestic experience of the big express operators, such as Federal Express, DHL and Emery.

There has been less enthusiasm in Europe, and almost none in the Far East, largely because customs authorities say they can already deal with consignments quickly.

Officials say express deliveries can be dealt with satisfactorily under the special arrangements developed for perishable consignments such as fresh flowers, fruit and vegetables.

This is contested by the express companies, which say the existing regulations will eventually prove incapable of handling the sheer bulk and variety of their shipments.

Their arguments have been largely accepted within the Brussels-based Secretariat of the Council, which is believed to have been in broad sympathy with proposals in a document produced by the IECC known as the Blue Book.

The essence of the Blue Book proposals was that attempts to speed up existing regulations were bound to fail in the long run, and that express services should be treated as a single new customs category.

This approach was endorsed in a draft study produced by the secretariat, but the detailed proposals it contained were later watered down by a "committee of experts," and further diluted by the council itself to form the existing guidelines.

The secretariat is also studying other developments which have helped to speed up express operations, including the Single Administrative Document introduced within the European Community from January 1, and similar initiatives in North America and Australasia.

The hope is that simplified documentation along these lines could eventually provide a model for a world administrative document, though officials concede that this is likely to take many years to negotiate.

The secretariat is also keen to reduce the number of customs checks by encouraging national administrations to place more trust in each other's efficiency.

However, developments of this sort are still a long way off. The secretariat has tentatively arranged to meet the operators for further discussion in September — but only if the council agrees to extend the existing guidelines.

The process of evolution, as one official put it, has a long way to go.

Kevin Brown
Transport Correspondent

Eagle Trust, the publicly-quoted industrial management company, has just taken over Connect UK, which offers a guaranteed next-day parcels delivery service starting at £5 for 5kg.

Overnight deliveries

And on the next day, the parcel was there

THE TERM express service is now increasingly taken to mean an overnight/next day delivery, at least as far as the UK domestic and intra-European markets are concerned. At the same time, interest is growing in the use of same-day services in both sectors.

The pace of development and growth in the overall courier/express industry over the last few years has been such that both users and operators still tend to put a variety of interpretations on the word express. Most agree, though, that the description implies a service offering faster delivery of freight than normal, usually on a door-to-door basis at all-inclusive rates.

Recent research suggests that users of domestic freight services increasingly believe overnight/next-day delivery to be the key difference between express and ordinary services. Mr Martin Kenny, general manager for UK-based research company Triangle Trends which has carried out a number of surveys on the express industry, says there has been a noticeable change over the last couple of years in people's perception of express services compared with normal freight transport operations.

Initially, the most commonly perceived difference between the two was that express services were "faster," with "overnight/next-day" the number two description. Now, "overnight/next-day" is perceived as the major difference. That suggests users are becoming more knowledgeable about the express industry and that express companies are getting over the idea of overnight/next-day services, says Mr Kenny.

Certainly, most operators see the next-day delivery market as offering the greatest potential for growth. One of the fastest-growing companies in the UK domestic parcels market over the last couple of years, Interlink Express, concentrates solely on overnight services and newcomer Connect UK, which plans to promote in the next few weeks a delivery system based on the use of some 250 independent haulage companies around the UK, also has its eyes set firmly on the next-day market.

Some of the largest express companies have also moved on from simply providing next-day services to offering specific timed delivery options such as before 9am, before 10.30 and before noon. Federal Express and TNT Express, for instance, already offer around a dozen next-day guaranteed service options ranging from simple next-day delivery through specific times to personal delivery to a named individual.

Among the many other UK parcels operators building up their next-day delivery operations is Securicor Express which is currently expanding its already established next-day before 9am delivery service, Swifty, to include other times such as before noon, all under the marketing name Night Owl. Similarly, Lynx Express Delivery Network is this year heavily promoting its 10am next-day service. The company claims that 85 per cent of its new traffic over the last nine months has come from the guaranteed services sector. Meanwhile, rail-based express operator Red Star plans to add a before 10.30am service to join its already-established before 9am and before noon deliveries.

The move towards overnight, timed, next-day delivery services, is also increasingly being reflected among the second-tier express operators. A good example is Carryfast which over the last year or so has quite noticeably changed direction to concentrate more on building up overnight delivery traffic. Mr Tony McClellan, Carryfast director, says that 18 months ago the company's overnight business was minimal. Now it makes up to 30 per cent of its traffic.

"We are certainly thinking now about going more towards timed deliveries before 9am, before 10.30 and so on. We already offer a timed delivery before noon and we will be looking to sharpen that up," he adds.

In fact, if recent research is to be believed, the big demand from customers when choosing next-day express service options appears to be very much for before noon delivery. Before noon next-day delivery has maintained its position as the most important criterion when selecting a service. Almost equal second are before 9am and same-day deliveries but they are quite a long way behind. If anything, the trend towards before noon next-day is hardening as the main criteria, says Mr Kenny of Triangle Trends.

Another marked feature of the UK domestic next-day delivery market over the last few months has been a growing move among private companies to have a crack at the Post Office and the latter's renewed determination to fight back. Among recent notable developments, for example, was the widely-publicised launch of TNT Supamail, a domestic express postal service for business mail which, it says, is going for the Post Office jugular by offering guaranteed next morning delivery nationwide. Similarly, British & Commonwealth group parcels company ANC is now in the process of launching ANC Midday Express "which will knock spots of Datapost prices" by offering guaranteed, next-day before noon delivery for courier-type traffic up to 10 kilos.

Developing in tandem with the many new next-day delivery services available in the UK are a growing range of same-day operations. Early nationwide same-day services were in the main based on the country's rail network — for example, Red Star's then solely station-to-station operations which also became the base for door-to-door services operated by City Link. Both are still very much in the front rank of same-day operators now, competing with the likes of Datapost and TNT Sameday. The last-named makes extensive use of National Express coaches for trunking operations, supporting those with radio-equipped motor cycles, vans and trucks for collection and delivery activities.

Increasingly, though, express companies are turning to air operations as a means of sustaining same-day delivery services throughout the UK. Red Star, for instance, is likely soon to extend airbased same-day services started last October to include Dublin. Cities covered at present include London, Glasgow, Edinburgh, Aberdeen and Belfast, using scheduled flights operated by British Airways and British Midland.

"By using the air connections, we can now offer much later cut-off times for same-day deliveries between England and Scotland than we could by using just rail services. In some cases, we can offer collection up to midday for delivery before the close of that working day," claims Mr Mike Benser, marketing manager for Red Star. Similarly, City Link now uses domestic air services, including BA shuttles and the regular flights of carriers British Midland and Brymon as well as the railways for its nationwide same-day operations.

"On the same-day side, we possibly use air links more now than rail. In the main, services are door-to-door. Very few customers deliver in although some ask for the facility whereby the consignee collects from the station," says Mr David Kennard, joint deputy managing director for City Link.

Now attention is beginning to focus on similar possibilities for intra-European traffic. Within the last few months, for example, Post Office organisation Datapost has introduced timetabled same-day delivery services between the London area and Amsterdam, Paris and Dublin, while courier company TNT Skypak has started similar document delivery services linking the London area with Brussels, Zurich, Frankfurt, Amsterdam, Paris and Dublin. Both send traffic via scheduled airline services.

It is hard to quantify the future demand for intra-European same-day deliveries but express companies claim that within the European Community there should be considerable scope for developing products very much along the lines of those now established for domestic traffic.

"I don't feel that same-day services come into the same category as overnight or two/three day services. If people want something delivered the same day then it definitely is a top priority job; the items involved have got to be there that day, there is no option about it," comments Mr Kennard of City Link.

Some large companies have moved on from simple next-day services to timed options, such as before 9am, before 10.30am and before noon

Another development which could open up new opportunities for the European same day services, according to Red Star, is the planned Channel Tunnel. Mr Bonser says current thinking envisages accommodation being provided for parcels on both day-time and overnight trains.

"The idea is that for overnight services, parcels vehicles will initially be attached to the back of trains, although within a few months of the opening of the tunnel we would expect to be running our own parcels trains. Space will also be made available for parcels on daytime trains to cater for same-day services," he says.

Philip Hastings

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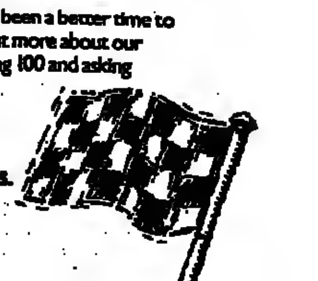

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EXPRESS SERVICES 3

Worldwide services

Plenty to go for in Nigeria and Far East

THE RECENT dramatic expansion of courier/express operations in North America and Europe has tended to overshadow the substantial growth in other parts of the world.

In the Far East and Australasia, the leading courier/express operators have been seeking to improve their coverage of what they see as the third point to the world's major trading triangle along with the US and Europe.

Helping to reinforce the development of express freight activities in the Far East is the nature of many of the major export traffics. High-technology goods produced to Japan, Hong Kong and Singapore, for example, tend to be both light and valuable, the sort of freight generally most suited to movement by air express services. At the same time, the manufacturing process for sncb items increasingly involves the assembly of components brought in from a wide variety of sources.

As more producers adopt just-in-time distribution policies – the delivery of goods just when required to save on inventory costs – so demand for express movement of components is continuing to grow. Shippers of other major export traffics from Asia like textiles and clothing are also increasingly using air express services to maintain the tight delivery schedules needed to meet seasonal market requirements or beat qnota restrictions in the US.

Initially, mnch of the thrust into Asia by express companies involved the Pacific arena, ie trade with North America, as major US operators like Emery Worldwide, Federal Express, United Parcel Service and Burlington Air Express built up services using a mix of own aircraft capacity and echeduled airline flights.

In some cases that development has been slowed because express operators had problems getting traffic rights to operate their own aircraft on certain key routes. In that context, Federal Express made a major breakthrough last year when it was given the go-ahead to start DC10 freighter flights between the US and Japan, an operation likely to get under way this year.

Longer term, Federal Express sees the Pacific market as a natural choice for the start of hypersonic freighter flights. According to Mr Frederick Smith, company chairman and chief executive, air freight could be moving between the Far East and North America at speeds of up to Mach 5 by the year 2000. A key factor in his thinking is a US project called the National Aerospace Plane, now dubbed the Orient Express in the belief that it will have particular potential for use in the Pacific arena.

FedEx at Stansted: the carrier foresees hypersonic freighter flights by 2000

Meanwhile, the Europe-Asia market is also coming in for much greater attention in terms of courier/express service development. Helping to encourage that trend has been the recent tendency among Far East exporters to try and sell more of their goods to Europe to take advantage of stronger currencies relative to the US dollar. As a result, established international express/courier companies in that market such as DHL, TNT Skypak and IML are now being joined by a number of other operators.

An important competitor in the future could be Express Mail Services (EMS), the new joint venture company set up last November by European and North American postal anthorities to co-ordinate their activities in the international express mail market. At the moment, attention is focused on plans to introduce a daily air link between Europe and the US but if that proves a success, similar developments could follow in the Far East where leading post offices are already looking to work together along the lines of the EMS set-up in Europe. Singapore has been mentioned as the most likely hub for such operations.

Competing with Singapore to become the leading Far East courier/express hub is Hong Kong, which has the still fledgling express market of mainland China on its doorstep. Hong Kong's emergence as a major express hub was highlighted by the recent formation of an industry organisation, the Hong Kong International Courier Association (HICA). Members include DHL, FedEx, HKS Couriers, IBC Pacific, IML and TNT Skypak.

Hong Kong is a major hub for the Asian region because of its geographical location, the frequency of international airline flights in and out of Kai Tak airport and the fact there is less red tape there than at some other airports in the region. "You don't need a customs broker to do clearance work here," says a spokesman for HICA.

Elsewhere in the world, development of courier/express industry services has so far tended to be more limited, although the major operators all claim to offer deliveries to most countries.

Among the more important of the second-tier express markets is the Middle East. Key centres in that region are covered for document/small package traffic but there has been rather less development of other express services catering for heavier traffic, a tendency encouraged by the generally subdued trading activities in that region over the last couple of years.

However, the Middle East still generates sufficient business to attract some new service development. TNT Skypak, for example, which claims already to offer standard air courier services to all Middle East centres and outbound from all except Saudi Arabia, is currently introducing worldwide two services that are likely to be of particular interest to that region.

TNT Newsfast International will handle the international shipment of newspapers and magazines, using courier linehaul. Individuals and businesses will be able to subscribe on a three, six or 12 month basis. The service is likely to prove particularly popular with expatriates. Also expected to be popular is TNT Skytrunk, which will handle the international door-to-door movement of personal effects and excess baggage.

Prominent among the other big names on the Middle East courier scene is DHL, which recently celebrated its 10th anniversary of services in a region where it now has some 65 offices in 15 countries. Main thrust of current marketing efforts is being directed towards attracting larger items than just the documents and small parcels with which it has to date been principally associated and promoting the idea of using air express services as an integral part of companies' distribution systems, not just for urgent or emergency shipments.

Postal authorities, too, are active in Middle East markets. The UK Post Office offers both its Datapost express door-to-door service and a public facsimile service, Intelpost. In one of the most recent developments, Intelpost was established as the first public facsimile service between the UK and Saudi Arabia, enabling same-day delivery of documents to be made to six major centres in the Kingdom – Riyadh, Jeddah, Dammam, Medina, Mecca and Buraydah.

Another large but often difficult market for courier/express companies to serve is Africa. Some black African centres are poorly served by scheduled airline services, making it hard for the couriers to offer high speed delivery times available in other parts of the world. At the same time, certain African post office organisations appear unhappy about having to compete with fast-growing courier operations and on occasions attempt to put restrictions on them, while other countries continue to harbour suspicions about the whole idea of courier services.

Probably the most advanced black African market when it comes to express service development is Nigeria. Prominent operators include UK courier company IML which operates there as IMNL and now has more than 50 operating units in the country. In terms of services, the organisation claims to offer next-day deliveries from the UK to Lagos and a number of other major Nigerian centres including Kano, Enugu, Ibadan, Kaduna and Port Harcourt. From other parts of the world, services into Nigeria generally offer a two-day delivery since most of IML's African traffic is routed via the company's London hub operation.

In addition to international services, IMNL has also been developing domestic overnight delivery services within Nigeria. Having initially concentrated on catering for documents and small packages, IMNL last year introduced a heavyweight service offering similar service levels for parcels in the 15-20 kilo range.

Nigeria also features strongly in the operations of DHL, which has more than 40 offices in that country. Like IML, the company claims to offer overnight services from the UK to Nigeria and is also pressing ahead with the development of Nigerian domestic services. Other big African markets for DHL include Kenya, Cameroon and Ivory Coast – altogether, the company claims to serve around 50 African states, with its own companies in some 30 of those.

Phillip Hastings

Electronic transmission

Fax: a threat and an opportunity

DEVELOPMENT OF electronic data transmission systems which allow companies to send copies of documents all over the world at the toucb of a few buttons is presenting the courier industry with both a threat and an opportunity, writes Phillip Hastings.

The threat comes in the form of a likely loss of business as companies which have to date relied on using high-speed courier services to move their documents physically from one location to anotber, botb domestically and internationally, increasingly turn to using even faster electronic transmission of data.

The opportunity for courier operators lies in developing services which combine the use of facsimile-style equipment with their extensive office/agent networks to meet the needs of companies which either do not have electronic data transmission equipment of their own or are working with other organisations whicb do not.

Very much in the forefront of such development is the UK Post Office which, alongside its well-established Datapost door-to-door courier services, has over the last few years established a firm presence in the field of document transmission througb e public facsimile service called Intelpost.

Users have the option of either linking into the Intelpost system electronically by using compatible fax equipment, telex or computer, or handing in material at designated Intelpost post offices for transmission to UK or overseas destinations wbere documents can be picked up during normal hours or delivered by messenger.

Currently, Intelpost centres are in operation at more than 100 post offices in the UK and some 2,000 in 30 countries overseas in Europe, North and South America, the Middle East, Far East and Australasia.

In one of the more recent developments last year, Intelpost was established as the first public facsimile service between the UK and Saudi Arabia. That link now enables same-day delivery of documents to be made to six major centres in the Kingdom.

Some companies in the private sector of the courier industry are also now pressing abead with the development of electronic data transmission services, although there have already been a few casualties along the way.

Nick Nelson, managing director of DHL International (UK)

Most publicised of the private sector electronic communications systems to come a cropper so far was an operation called Zapmail, set up by US parcels giant Federal Express, whicb had to be closed in 1986 after running up losses of several hundred million dollars.

Other companiea have also come to grief trying to set up smaller-scale facsimile-based services both within the UK and internationally.

Prominent among the international systems which has got off the ground, though, is an operation called Satellite Express (SATX) developed by courier/air express company DHL. The DHL system is based on a network of electronic image transfer systems linked around the world by satellite whicb allow it to handle drawings and photographs with the same ease and clarity with which it handles typed and handwritten text.

Countries with SATX centres cnrrently inclnde Australie, Hong Kong, Japan, Singapore, the US, Canada and much of the Middle East. Each station uses a personal compnter and a laser printer to transmit information via dedicated digital telecommunications lines from one part of the world to another.

In the UK, a courier will collect from any location and then take the documents to the nearest DHL SATX base from where they are transmitted electronically at high speed to compatible SATX eqnipment at the relevant overseas DHL office.

That system allows DHL to offer, for example, a same-day service to nine US cities, with cut-off time in the UK for US East Coast cities being 17.00 hours and for the West Coast, 20.00 hours.

One of the major questions still to be answered in respect of electronic transmission services, though, is the extent to which such systems will supersede courier companies' traditional document delivery services. Cnrrently, the general consensus of opinion among couriers is that the two types of operation will continue to run in tandem.

"The electronic document service is positioned alongside our worldwide document express service to allow us to offer overnight deliveries to markets where time change factors would not otherwise allow us to do so. It is not really a competitor to facsimile services," says DHL.

Electronic transmission is seen as an enhancement of existing express services. Research by the company suggests that the courier movement of documents will continue, both for reasons of security and because the size of many documents – average weight of DHL'a document consignments is put at around 1.5 kilos – would make the transmission of them e very costly and time-consuming process.

Similar views are voiced by IML Air Couriers, which claims the document market is still growing but sbowing signs of segmenting slightly. If someone has one or two sheets of information to send, says IML, he may well fax them but if more than e few sheets are involved then he will probably carry on using courier services.

The same point is made by Mr Paul Moorhouse, of TNT Skypak, who says that despite predictions that document traffic would decline over the next few years in the face of mounting competition from electronic data transmission services, Skypak has in fact seen an increase of around 25 per cent in that business worldwide over the last year.

"Even though we are seeing a slight decrease in document traffic from existing customers as they tend to make greater use of facsimile machines, more and more companies around the world are becoming involved in export activities, which means generating additional documentation," he says.

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DHL WORLDWIDE EXPRESS THE UNFAIR ADVANTAGE

Post Office

Fast-movers stay ahead

POSTAL AUTHORITIES around the world have reacted keenly to the growth of private express services. Having sharpened up their own express operations and extended their networks, they now rank as formidable competitors to their private sector rivals.

So rapidly has the business been growing and so cut-throat has been the competition that the main European postal authorities last year formed a joint venture company based in Brussels to handle their international express mail operations. "It was becoming a big business," explains Mr John Payne, who runs the British Post Office's Datapost service.

The postal authorities also felt the need to create an international brand image to underscore the message that they were offering a service with common standards around the world. They now trade under the logo EMS (express mail services), even though each national post office continues to use its own express mail name.

The sharpness of their response is explained by the fact that international express mail is both growing rapidly – up anywhere between 10 and 50 per cent a year depending on various estimates – and becoming more valuable: about half the traffic carried internationally now consists of goods, compared with about 10 per cent a few years ago, Mr Payne reckons.

National post offices have followed a twin-track strategy of expanding their network and improving their delivery speeds.

Datapost: an all-out drive for speed

The British Post Office, which claims to be second internationally after DHL, entered the 1980s with some 19 countries on its express network. The figure now stands at 114, with 20 added in the last year, including breakthroughs in the Eastern bloc, through agreements clinched with the Soviet Union, Czechoslovakia and Romania.

Last year, too, the Post Office introduced same day delivery to Paris, Amsterdam and Dublin for items posted in London before 10.30am. Next day delivery is now standard to many parts of the Continent and the US.

In its overall express strategy, both international and domestic, the UK Post Office has tried to fashion a range of offerings for the different market niches - a "family of services," as Mr John Bintliff, who heads the corporation's parcels operation, puts it. Within the UK, the Post Office now has three main services other than its basic letter operation:

● **Datapost**, which delivers to 65 per cent of potential addresses by 10am the next working day, with a standard charge of £11.40 for a letter.

Mr Payne sees Datapost, which he claims to be second in the domestic market behind Securicor, as competing primarily on its reliability, as customers have increasingly demanded next day delivery even for items posted after working hours. "Back in the early 1980s, we and our competitors had a cut-off time of mid-afternoon. That will no longer do."

The all-out drive for speed has entailed heavy investment in vehicles, computers, handling equipment, and an increasingly dedicated Datapost network, building on six Datapost air routes and with a total of 17 Datapost handling centres scheduled for operation by the summer.

Datapost has also been busy devising new offerings to keep its customers loyal. One such is a Lloyd's-backed scheme whereby, on top of getting their money back, customers are compensated for consequential loss up to £10,000 per item if Datapost fails to meet its delivery targets. Mr Payne says the scheme is rarely invoked. "It's the sort of guarantee that a weak service would not be able to afford."

● **SuperService**, a premium parcel service launched by the Post Office last month, which Mr Bintliff says will fill a gap between the standard parcels service and Datapost identified by the corporation's extensive market research.

Datapost is itself used increasingly for parcels, with about half the items carried now being goods rather than letters, but the Post Office pinpointed the need for a premium service cheaper than Datapost, but quicker than ordinary parcels.

SuperServics offers 48-hour guaranteed delivery to 95 per cent of UK business addresses. The others, mainly in the North of Scotland, get a three-day guaranteed delivery.

It also provides: a free detailed weekly service report showing what happens to each consignment; free insurance for damage of up to £1,000 for each parcel and £1m for each consignment; free confirmation of delivery. The standard charge is £7 a consignment, plus 10p-15p a kilo, but customers can negotiate individual rates, depending on the amount of their business.

The Post Office is investing £30m on the new service, which is due to become fully operational next month. SuperService has 1,000 lorries, 10 parcel hubs and 70 satellite depots dedicated to it. It is restricted to customers likely to spend more than £10,000 a year on the service, though Mr Bintliff says the cut-off point may be lowered later.

● **Standard Service.** Below SuperService is the Post Office's basic parcels operations, which handles 200m items a year, 95 per cent generated by business. But even here the corporation has introduced innovations in a bid to beat off its competitors.

Last September, the Post Office offered a guarantee to its largest customers: they could have their money back if their parcels were not delivered within five working days.

This guarantee was supplemented by a flexible arrangement under which the corporation's largest customers could negotiate their own contracts with tariffs tailored to their particular circumstances. In addition, large customers are rewarded for exceptional growth in traffic by rebates.

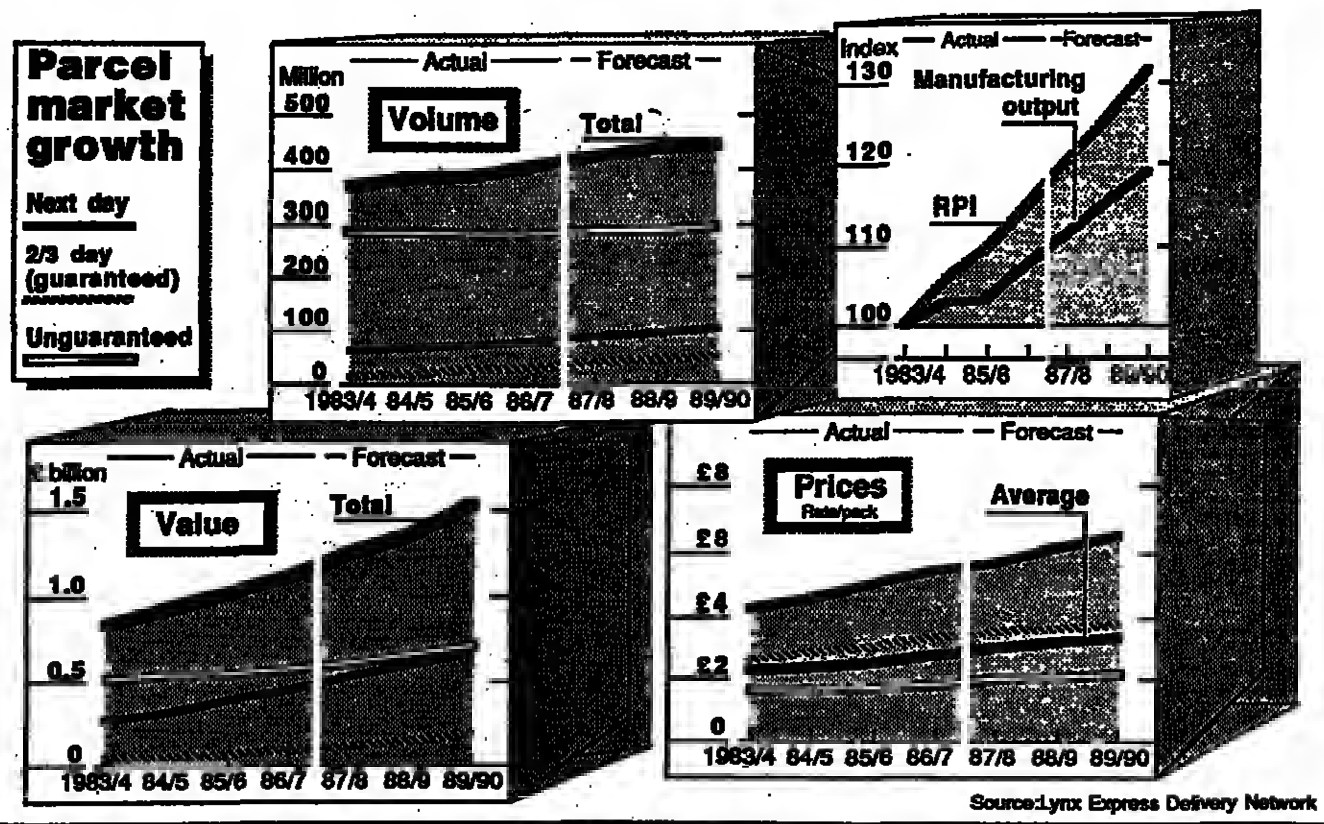
The point of all these schemes is to keep the Post Office ahead in the parcels business. It claims that its share of the business parcels market, now standing at about 29 per cent, has been growing after a period of decline in the 1970s. However, a number of private competitors, with market shares in the region of 20 per cent, are snapping at its heels.

The Post Office is still not sure that its range of offerings is complete. It is considering introducing a new service, possibly from next year, pitched between Datapost and SuperService. It will guarantee next day delivery, but not before 10am.

Both Datapost and parcels now form part of a business which has been separated from the rest of the Post Office after a management re-organisation over the past 18 months. Senior managers like Mr Bintliff and Mr Payne measure their performance more against their competitors in the private sector than against their colleagues in the letter service, which is still underpinned by a monopoly.

This may go some way to explain the dynamism shown by this wing of the huge Post Office organisation, which is not often perceived by the public as fast on its feet.

David Thomas



Source:Lynx Express Delivery Network

Reliability, rather than speed, may meet many customers' needs

Getting there, a bit more slowly, could fit the bill

THE MAIN thrust of express service developments to date, certainly within the UK and intra-European markets, has centred on overnight operations offering next-day delivery. However, some operators and many of their customers believe there is also a place in both markets for guaranteed two/three-day services and good quality non-guaranteed products offering slightly slower transits at often considerably reduced rates.

Many shippers claim that a reliable two/three-day service, with the emphasis very much on the reliable, meets most of their needs in the UK domestic and intra-European fields, with overnight operations being reserved for particularly urgent shipments.

Accurate information on the respective sizes of the next-day and two/three-day parcels markets is hard to come by. However, research carried out in 1986-87 for National Freight Consortium parcels operator Lynx Express Delivery Network suggests that the overall UK domestic market currently involves some 400m parcels a year in a business worth over £1bn. The two/three-day market is growing in volume by around 13 per cent per annum, mostly gaining business from the unguaranteed sector without adding to the segment's user base.

Both the next-day and two/three-day sectors are highly fragmented with large numbers of customers consigning small average volumes of packages – 75 and 70 per annum respectively. This contrasts markedly with the unguaranteed sectors which have a much higher average volume of 358 packages per customer per annum. Looking ahead, the Lynx research forecasts particular increases in the next-day sector in value terms and the guaranteed two/three day sector on volumes.

Commenting on the subject of express service transit times from the users' point of view, Mr Jack Welsh, director of the British Shippers' Council, told an express industry conference last year that the important factors for customers were reliability of services and information. Consignors/consignees needed to be advised immediately if a consignment was not going to be delivered or would be late.

With many shippers, this was more important than actual speed of delivery for, given reasonable notice, the customer had time to implement remedial action. Same-day/next-day delivery was not widely necessary – most shippers seemed to be happy with two or three-day delivery for most parcels traffic – subject, again, to reliability and information supply, plus cost, he said.

The profitable growth area in terms of freight services, suggested Mr Welsh, was in the assembly of transport resources to form an effective and efficient intermodal door-to-door product which could be retailed to shippers at an all-in price. The generators of very large volumes of low value packages were interested in simple, reasonably priced three-day delivery services.

Other shipping managers suggest that they often face pressure to use overnight delivery services, perhaps from their own sales and marketing departments, when in fact a two/three-day service might suffice. Countering that argument, a spokesman for one leading express company said, if that were so, it would be a good sign for British industry because it showed that marketing departments were not going to be satisfied with the second-best. The marketing men were quite right to put pressure on their companies to produce a competitive edge. Although service reliability was the key to success, the suggestion that a reliable 48-hour delivery service was often just as good as an overnight one was open to doubt.

"If express company A was as reliable as express company B but got consignments there a day earlier and at the same price, which company should the shipper choose? What would the shipper's marketing department say if the slower service became the preferred option? To that extent, the operators of express services were generating the service enhancements necessary to establish competitive superiority," he argued.

Even so, most of the major express service operators active in the UK domestic market still offer two/three-day delivery services as well as their often rather more heavily promoted next-day products. Federal Express, for instance, includes in its wide-ranging portfolio a guaranteed two-day delivery and a non-guaranteed regular service as well as next-day options. Mr Gordon Kelly, sales director for the UK priority services division of Federal Express, says that although now pushing hard into the next-day parcels business with which its US parent company is most closely associated, the UK operation is also involved with non-guaranteed business. "The non-guaranteed regular service is still our single biggest product string, although the main growth is clearly in the premium, value-added services," he says.

Other express operators appear to disagree with that last point, or at least believe there is still sufficient potential growth in the two/three-day sector to warrant continued service development in that market. Sheffield-based UK domestic service operator Tuffnells Parcels Express, for instance, has made its reputation with a non-guaranteed service called Premium Express which now claims to deliver more than 90 per cent of goods within 24 hours of collection and 98 per cent within 48 hours at rates around half those of guaranteed next-day services.

"There is a place in the market for next-day services but we feel that people do not necessarily want to pay for a guaranteed service when they can get very close to that with a non-guaranteed service at a lower rate," claims Mr David Allen, Tuffnells' managing director. Similarly, the Mayne Nickless-owned parcels company Parceline claims its UK domestic two-day service attracts substantial business from people who have grown tired of using cheap four- or five-day delivery operations because they put too much pressure on stocks but at the same time do not want to pay the sort of rates being charged for overnight services. Parceline says that a two-day service can cost around 40 per cent less than overnight delivery.

Similar arguments about the justification for two/three-day delivery services have also been voiced in respect of the intra-European freight market. Again, many operators argue that customers are increasingly looking for overnight services while others believe there is also still a place for second-tier services.

Among these is Elan International which, having already developed overnight express freight operations between the UK and key continental markets, last autumn took a step in the other direction by launching a new second-tier intra-European express service called Elan Plus One. This road-based service has an extra day added on to the transit time.

A key selling point, according to Mr Tony Harris, the company's managing director, is that Elan Plus One rates are on average 20-30 per cent below those for the standard overnight delivery service.

Asked if the new service represents a change of heart by Elan, which to date has always heavily promoted the concept of overnight deliveries in Europe, Mr Harris says that having established tremendous growth in the next-day sector, the company now wants to offer more flexibility to customers.

"We have to date had very specific service standards which offer great benefits in terms of reliability, but we do not want our customers to think we are inflexible. With the new service, we are particularly looking to attract customers who might already be using Elan for their overnight delivery requirements and someone else for the remainder of their traffic," he adds.

Philip Hastings

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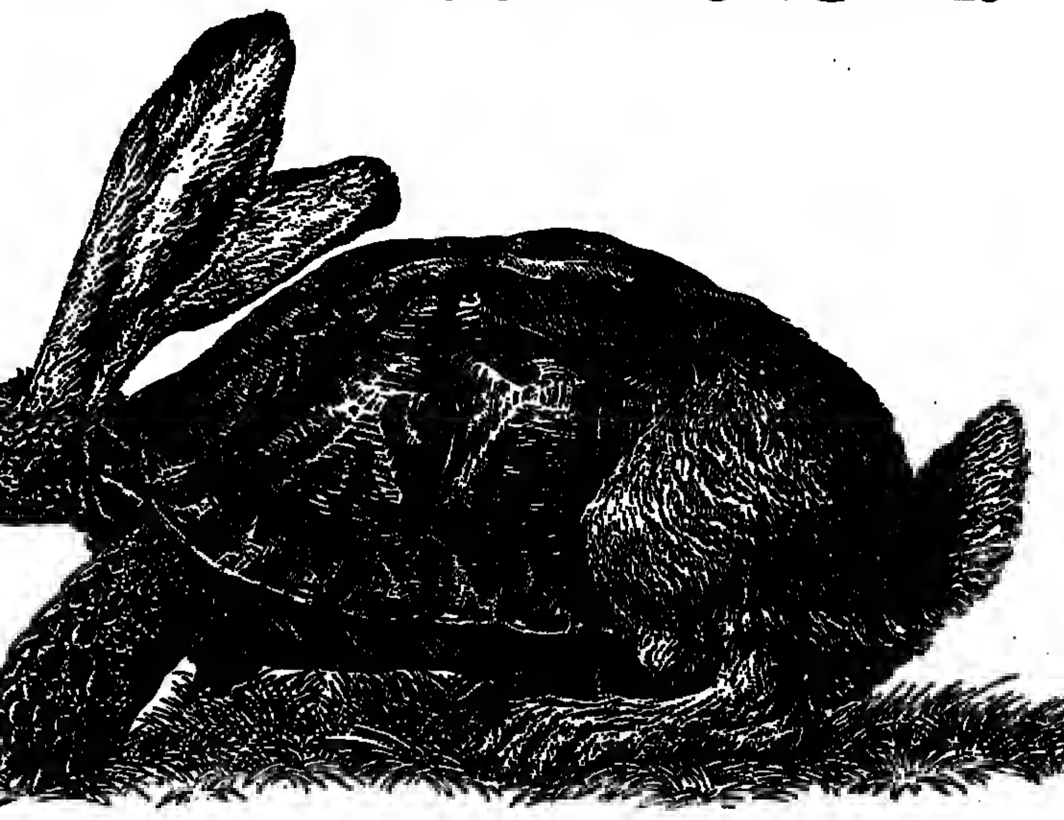

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There's a scent of victory in the remail revolution

ONE OF the fastest-growing areas of courier industry activity at present is the business of remail, an operation which involves collecting international mail from customers and consolidating it for onward movement to its country of destination.

In some cases, remail operators transport consignments in bulk to countries like Belgium and the Netherlands which are known to have efficient overseas post operations and then put their mail traffic into that system for onward movement to final destination. In other instances, operators do despatch traffic, usually by air, to regional centres around the world from where it is put into the nearest local postal authority system for final delivery to consignee.

Not surprisingly, the subject of remail has provoked considerable controversy since the idea was first mooted, particularly in North America where the United States Postal Service (USPS) fiercely contested the right of private companies to get involved with international mail traffic. However, the USPS finally had to accept in 1986 the legality of foreign remail services outside the US when various US authorities refused to sanction any regulations to curb such developments. Mr Edwin Meese, US Attorney-General, told the US Postmaster-General that there were significant public benefits from lawful private sector competition in the provision of international postal services.

The acceptance by US authorities that private sector companies should be allowed to develop international remail services opened up the way for rapid growth of the industry worldwide.

In the UK, private sector remail operations were given a major boost at the end of last year when disruption of postal services and a threatened national strike by post office workers caused many businesses urgently to examine alternative mail systems. Sensing that even if the strike was averted at the last minute, as in fact happened, the build-up to it would have already undermined business user confidence in UK post office services, private sector courier, express parcel and remail companies stepped up their push to win more mail traffic on a permanent basis.

Meanwhile, aware of the growing challenge from private remailers, post office authorities around the world have been urgently looking at ways to hold on to what is in many cases the cream of the international mail business — large volume, first class traffic. The UK Post Office, for instance, has introduced its own remail-type services catering for both letter mail and printed matter. A service called Airstream has been developed for companies sending regular quantities of letter mail to Europe and the rest of the world. That was followed up last year by the introduction of Airstream Print, a worldwide service for business customers sending printed items abroad.

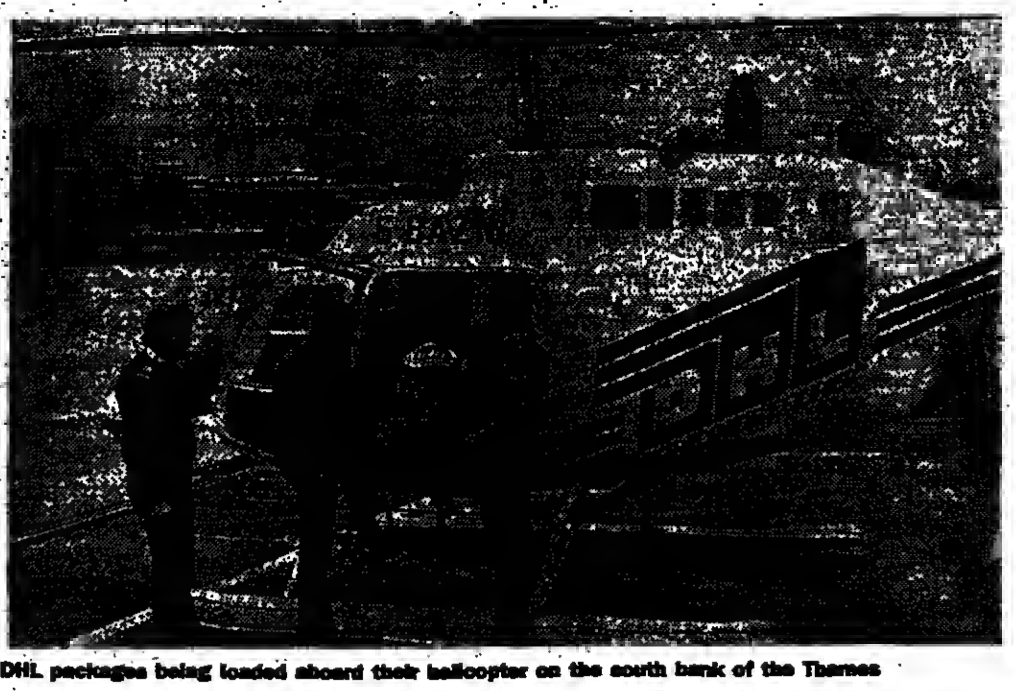
According to the Post Office, Airstream services offer big users substantial savings on ordinary airmail rates. Rates are based on a price per kilo and eliminate the need for customers to weigh and price individual items of mail.

Almost inevitably, there have been claims by private remailers that certain postal authorities have resorted to dirty tricks to slow up their new competition, for instance by delaying sacks of private mail or sending it on by surface mail rather than by air. Some postal authorities are also said to have been looking at means of introducing surcharges on private operators' remail.

"The situation in regard to post offices holding up remail traffic seems to have improved over the last few months but I don't know whether that is the lull before the storm or not. There has been talk going on among post offices about the possibility of surcharging remail," says an executive with one of the remail operators.

Probably the most advanced of the remail systems being developed by private courier companies is TNT Skypak's Mailfast operation. Described as a free enterprise overseas postal system, it caters for international commercial mail and claims to offer transit times as fast or faster than those of national post offices at lower rates by routeing them through some 40 company remail centres all over the world.

Services involve TNT collecting and consolidating commercial mail for bagging and onward movement via a courier operation to the remail centre nearest the point of destination. Mail is then generally put into the local postal system for final delivery



DHL packages being loaded aboard their helicopter on the south bank of the Thames

although in key commercial districts attracting regular heavy traffic, more and more deliveries are being made by hand.

All the customer has to do is sort mail into three or four worldwide zones, weigh the total material for each zone, count the number of items in each zone and complete one consignment note showing the consignment details. The mail is then collected by a TNT vehicle and taken to the local Mailfast office where it is sorted by destination country, says Mr Paul Moorhouse, the general manager.

According to Mr Moorhouse, Mailfast traffic handled worldwide during 1987 jumped from around 35 tonnes a week at the beginning of the year to nearly 135 by December, with the latter representing some 5m envelopes.

Rival courier/air express organisation DHL has responded to the remail boom with the development of an operation called Worldmail which caters for both overseas mail and printed matter. According to DHL, the customer completes just one Worldmail airbill for an entire mailing and then books a collection from a local DHL office. No counting or franking is necessary; all the customer has to do is sort the mail into either Europe or Rest of the World categories.

DHL says the rate structure is based purely on the weight of the total mailing to either of those geographical sectors, so the customer is able to calculate the cost of mailing in advance. No prepayment is necessary. Instead, DHL invoices the customer after the service has been used. Any mail which cannot be delivered due to an incorrect address or the consignee having moved is returned to the sender free of charge, helping customers to update their mailing lists more easily.

Another leading courier, UK-based IML, has opted for a slightly different approach to the remail market, with traffic still being routed through postal systems for most of the international line haul sectors. Having initially ventured into the business in 1986 with a low-key service called IML Remail, the company relaunched a more substantially resourced operation last year under the name IML Post Handling System.

Currently, the service is being operated out of the UK to worldwide destinations covered by the IML network. IML collects bulk overseas mail from customers and then in effect consolidates it for feeding into the Post Office system. "We are able to pass on to the customer the benefit of our bulk purchasing power with the Post Office and save him time and costs in terms of his own mail room preparation," IML says. "We have picked up some good blue chip clients, particularly in the City of London."

London is also very much the principal market for Ashford-based Deltec International Couriers, a private remail company set up just over two years ago. According to Mrs Diane Larsen, its general manager, the company is currently picking up around seven tonnes of remail traffic a week out of London. Deltec also has an office in Manchester and is planning to open up in Birmingham and other UK centres.

"We run collections in London, with the latest pick-ups being around 8.00 or 8.30 in the evening. Traffic is brought to our base at Ashford, processed and bagged and then transported on one of our own vehicles to Brussels where it is fed into the Belgian Post Office for onward delivery to final destination," she says. "Around 55 per cent of our traffic is for Europe, 30 per cent for the Americas and Asia, and the rest for the Middle East and Australasia."

Adding to the increasing competition for remail business in the London area is a newcomer to the UK scene this year, a Belgian-based company called Remail. Having achieved a turnover of £1.5m in 1987, the company is starting its move into the UK market with an operation serving businesses within the area encompassed by the M25 London orbital motorway but intends to expand geographical coverage fairly rapidly over the next couple of years.

Remail plans to route its premium UK remail traffic via Copenhagen, using flights and sorting operations run by Scandinavian Airlines System. The Denmark operation, it claims, offers good rates, good flight schedules and fast transhipment times. Other remail traffic such as surface mail and printed matter will be consolidated by Remail to take advantage of bulk postal rates and then generally put into the UK Post Office for onward movement.

Philip Hastings

Air cargo

The forwarders may be left behind

AT THE last count, there were over 200 International Air Transport Association air freight forwarders in the UK, battling for survival in an increasingly competitive industry that often shows returns of less than 5 per cent net profit on sales.

While many of these companies offer a range of freight forwarding services on a multimodal basis, air cargo is a major part of their activities. On the air freight front, the prime forwarding involvement is with consolidation through which the forwarders can make their highest profit.

It would be an understatement to say that marketing has never been freight forwarding's strongest point. Few companies have seen the need to market their considerable range of services and abilities. Moreover, they have persisted in confusing customers by operating to a highly complex charging system so that customers never knew quite what they were getting by way of service or total cost. And so, although the air freight forwarder always had the ability to offer a door-to-door service, the door was also left open for the integrated operators to market professionally their "new" services to forwarders' customers.

Despite the forwarder's inherent flexibility to add value to his basic product to increase profit, only a few European freight forwarders have demonstrated any positive reaction to the air express operators and their new door-to-door services in Europe. Indeed, the reaction has rather been one of "if you can't beat them, pretend they don't exist."

Leading the field with its early reaction to control its own transport and become an integrated operator was Emery, the international airfreight forwarder. Emery now operates its own fleet within the US and, across the Atlantic, Emery's DC8 freighter feeds into European hubs at Maastricht and Manchester which in turn support a European trucking fleet and a number of light aircraft used for the intra-European express service.

One of the leading air freight forwarders, Pandair became an express operator in 1981. Recently sold by Pakhoed in Holland to AEI, the large US airfreight forwarding company, Pandair now operates nightly freighters between the UK and Continent in conjunction with British Midland. Called Pandalink, the door-to-door express service now embraces 14 European countries with four aircraft operating nightly between the UK, Belgium, Germany and Italy.

Putting its eggs in more than one basket is Atlasair, which four years ago achieved a management buyout from Atlas Group. While continuing as an air freight forwarder, Atlasair has pinned its colours to the future of the air express door-to-door industry by forming a company which has an exclusive UK service partnership with United Parcel Service, the US company.

Mercury — always among the frontrunners in UK air freight — lent early support to the British Airways Speedbird Express door-to-door service, although the forwarder marketed the product under its own Quicksilver brand name. On April 1 Mercury is relaunching Quicksilver Express together with British Airways and Lufthansa. Operating to guaranteed times (eg 24 hours to Germany) for shipments of any weight, Quicksilver Express can be used as a door-to-door service or as an airport-to-door service.

Mr Graham Black, Mercury's marketing director, says that the company is looking for fast clearance and transfer times from its airline partners. "Unlike Lufthansa, which has a dedicated service ramp and personnel handling these shipments, many airlines cannot meet our prescribed Quicksilver time-scales," he says. From Scandinavia and Germany, Quicksilver Express will expand throughout Europe, to Australia, the US and South Africa.

Among the longest-established of the UK freight forwarders, Lep has also entered the door-to-door express market with Lep Racer and Lep Sprinter. As a timed, door-to-door service with money back guarantees, Racer is available for unlimited weights throughout the UK to Belgium and Germany. European-wide expansion is planned for both exports and imports. Lep Sprinter is an international door-to-door service for shipments up to 100 kilos which receive priority collection, guaranteed booking on a same day or next morning flight and fast clearance and delivery.

While all the air freight forwarding door-to-door express services are geared to take on the integrated operators, many compete more successfully on delivery times and price at higher weight levels which the integrated operator systems are not geared to handle. In general, the UK forwarders are concentrating their express energies on the buoyant European market where the growth potential is high and where, unlike the "new wave" US air express companies, they have well-established networks and market knowledge.

Anne Hunter

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EXPRESS

FROM PEUGEOT TALBOT

Why airlines are losing out to the integrated operators

Sky-high attractions of the door-to-door service

DOOR-TO-DOOR air express services, the fastest growing sector of the international air cargo market, are significantly eroding the profits that scheduled airlines had previously derived from premium-rated, small, direct shipments.

In the past decade – since Jimmy Carter made his mark in aviation history by deregulating air cargo in the US – the integrated operators have developed and expanded services. Using their US domestic experience as a springboard, they have now marched on Europe.

The Continent's traditional air freight industry was ill-prepared for the onslaught. Most of the airlines and forwarders are only now beginning to flex saggy cargo muscles in belated efforts to keep a grip on their "smalls" – the premium air cargo market.

The carriage of cargo increasingly means the difference between profit and loss for many European airlines. Today, air cargo accounts for 26 per cent of Lufthansa's total revenue, while the KLM figure is similar.

The total world air cargo market, including express and courier traffic, is estimated at around $18bn and could rise to $56bn by 1995. According to Emery Airfreight, door-to-door air express will account for $40bn – or 71.4 per cent of that market – in 1995. Lufthansa forecasts a 4 to 6 per cent growth for air freight – *higher than passenger* traffic growth forecasts. Other sources suggest that in Europe, the air express market is growing at a rate of 50 per cent a year and high growth levels are expected for several years to come.

As more European manufacturing companies emulate their Japanese and US counterparts by changing their distribution systems and adopting to the logistical advantage of just-in-time production techniques, they are increasingly attracted to *door-to-door air express services.* Mr Peter Davies, general manager of XP Express Parcel System in the UK, claims that up to 60 per cent of his company's UK traffic comes from companies which once used air freight via their forwarders. "In a few years as much as 80 per cent of all overnight shipments could come from this sector. We have our sights set on taking a lot more business from forwarders in the coming years," he warns.

Looking at the UK market, Mr Tony Keating, managing director of Atlasair, a leading UK air freight forwarding company and UK service partner to UPS, estimates that 50 per cent of all air freight shipments up to 25-kilo weight could transfer to door-to-door services and possibly another 30 per cent of air freight shipments between 25-100 kilos.

"I see no way that traditional air freight can stop this transfer because it is far more economical to handle this traffic through the massive integrated systems that companies such as UPS and Fedex have established in the US and now in Europe. In the courier and parcels sector there are huge economies of scale when *handling large volumes of small* shipments. The productivity of these operators' fleets and systems – capable of handling more than 100,000 parcels an hour at a few pence per parcel – is beyond the reach of most forwarders," argues Mr Keating.

Research shows that today's exporter wants a door-to-door service with a comprehensive rate, and that reliability and predictability matter even more than speed. He likes the simplicity of the door-to-door, single-rated, guaranteed service which air freight, to date, has generally been unable to provide. Traditionally, air cargo has moved through an air freight forwarder to an airline *on airport-to-airport* basis with additional charges for collection and delivery. With complex documentation, mystifying charges, inefficient ground handling, unsophisticated communications and information systems and lengthy customs clearance procedures, air cargo has consistently spent more time on the ground than in the air.

Among the European carriers working to overcome these problems in their efforts to compete more effectively with the integrated operators are British Airways, Lufthansa, KLM, Aer Lingus, SAS and, to a lesser degree, *Sabena, Alitalia and Air France.* British Airways and Lufthansa were among the first to launch express, door-to-door services with Speedbird Express and C & D respectively.

Both services have been singularly unsuccessful and are now being reconsidered. Lufthansa launched its service in partnership with Schenker, the large German forwarder, and in so doing, the airline alienated other German forwarders. It now looks likely that in the future Lufthansa will broaden C & D to attract wider forwarding support.

With Speedbird Express, British Airways chose to work with City Link, a major national express parcels *company which* presented no threat to the forwarding community. The airline attempted to attract forwarder support for the service but has had little response. Mr Geoff Bridges, BA managing director, cargo, believes that, with some exceptions, forwarders remain hooked on consolidation as their prime activity. "After eight years of trying with Speedbird, I don't think the forwarders can be aggrieved if we make stronger moves now into express as a retailer," says Mr Bridges.

British Airways has launched a wholesale courier service on a number of scheduled services. In December, the airline opened a courier services unit to speed traffic through Terminal Four at Heathrow and in the same month the new unit processed 7,000 courier bags. BA's new Express Services Building, next door, is offering 45-minute acceptance and clearance for premium, express shipments. "This unit is now generating 20 per cent of our total Cargocentre revenue on 1 per cent of the total volume handled," says Mr Bridges. Not surprisingly, British Airways sees its primary role as keeping this high yield traffic.

Mr John Hartnett, Aer Lingus cargo manager, readily admits *that the airline's high yield mini-*shipment traffic has been declining. Aer Lingus is now out to reverse that trend by launching Aarsecuricor – a joint door-to-door service with Securicor based on the latter's wide UK and European express ground distribution network and the Aer Lingus' scheduled freighters and cross-Europe passenger flights and belly capacity. Offering a range of timed, door-to-door services, Aersecuricor hopes to attract both direct shipper and forwarder support with a 10 per cent incentive or commission for forwarders.

Always a *leader in air freight* innovation, KLM last year launched Doorspeed as an airport-to-door, door-to-airport or door-to-door service with guaranteed delivery times. Currently running from the US into Europe and intra-Europe, Doorspeed is being gradually expanded to operate eastbound to the US and on other long-haul routes. Working in conjunction with KLM in Europe on the service is XP Express Parcels, the KLM wholly-owned subsidiary. The Dutch airline also has a shareholding in the UK courier company IML and in February it bought a minor stake in the European trucking and distribution company, Frans Maas Beheer.

For years, IATA air freight services have been hidebound in a plethora of anachronistic regulations such as the Commodity Rates covering everything including the kitchen sink. On April 1 *KLM*, with a number of *other* European airlines, will introduce a simple European air freight tariff, which will "substantially decrease the cost of air freight for smaller shipments." KLM says that through the new tariff it hopes "to satisfy shipping clients' long-standing desire for a clear, simple tariff structure on a number of European routes. Prices can now be clearly agreed on together with the shipping agent/freight forwarder, for a complete door-to-door product."

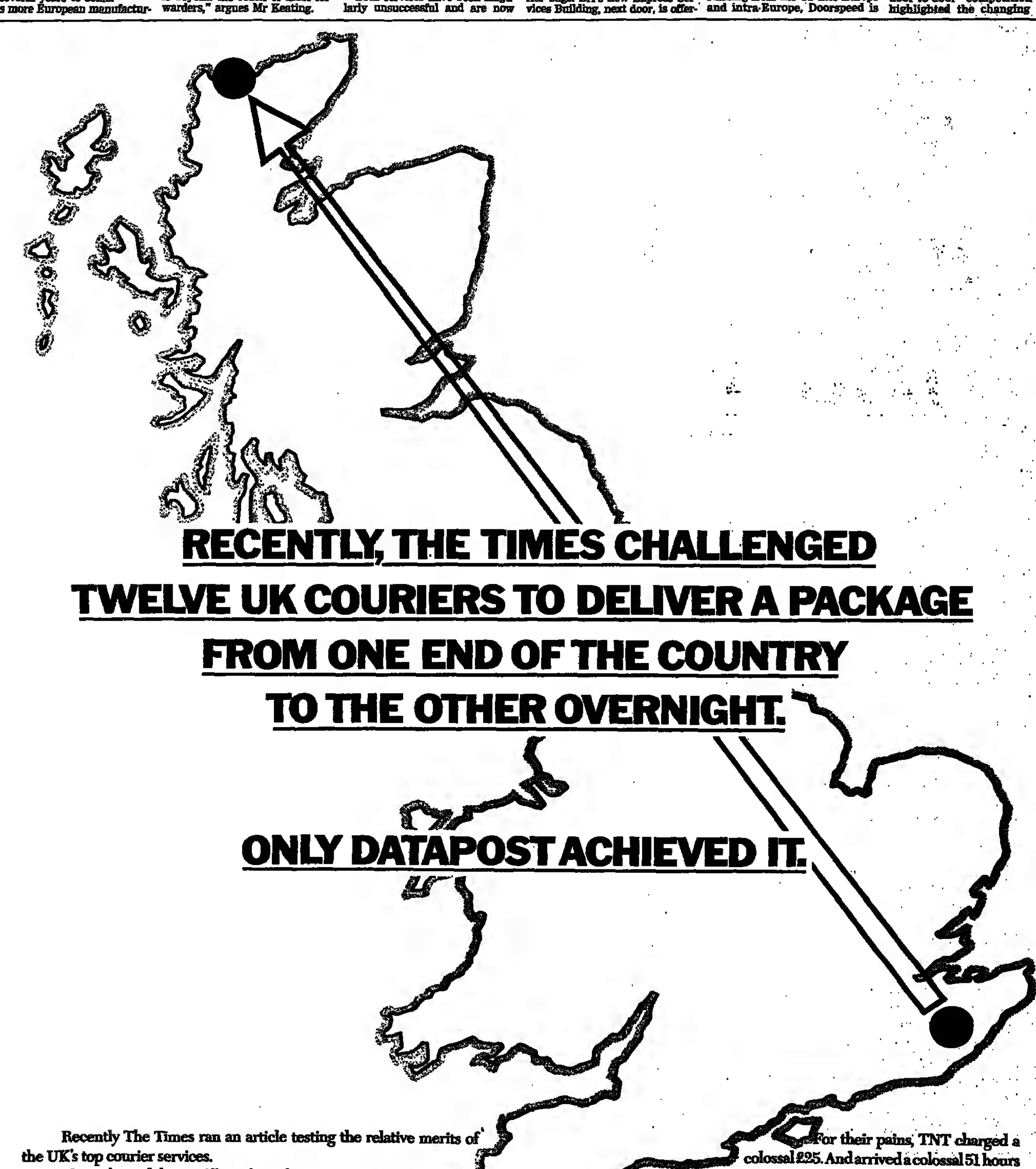
More than anything else, the arrival of the new wave door-to-door competition has highlighted the changing relationship between IATA airlines and the agents. Few agents today could genuinely claim to be the "agent" of the airline and others like Emery have chosen to compete head on with airlines by operating their own aircraft. While some airlines say they will work more closely with the freight forwarders to offer joint competitive services, others like *Aer Lingus*, while encouraging forwarders to participate in their new services, also admit they cannot ignore direct shipper contact as "if we don't go after that business then the integrated operators certainly will."

SAS has also followed this line with the launch of Air de Cologne, the fledgling SAS company which now operates the airline's DC9 freighters in Europe with an overnight door-to-door service linking Europe through its hub in Cologne. Leaving A de C to provide services to both shippers and forwarders, SAS meanwhile has its own passenger aircraft belly capacity Priority Express service, which it markets exclusively to freight forwarders.

Most forwarders and airlines accept that few individually have all the advantages necessary to compete door-to-door with the integrated operators. More than ever before, they need each other to establish effective systems. They must develop computerised systems to improve information flow and facilitate tracking and tracing. Progress through airline system links into forwarders' systems and in turn, to those of their customers, is being made. Other problems remain to be overcome including a much closer working relationship with customs – but these are not insurmountable.

Market research indicates that there is room for a far wider range of door-to-door air freight services than currently exist. The opportunity is there. To progress further now to develop and market joint services there is an obvious need for trust and co-operation between interested parties in the scheduled airline and air freight forwarding fraternity.

Anne Hunter


RECENTLY, THE TIMES CHALLENGED TWELVE UK COURIERS TO DELIVER A PACKAGE FROM ONE END OF THE COUNTRY TO THE OTHER OVERNIGHT.

ONLY DATAPOST ACHIEVED IT.

Recently The Times ran an article testing the relative merits of the UK's top courier services.

The task. To deliver a 2lb package from Hurstpierpoint, Sussex, to Talmine, northern Scotland. Overnight.

Of the twelve they called, nine declined.

Including DHL. Apparently some mountains are too high after all.

Federal Express. They absolutely, positively refuse to handle packages for private individuals.

And Securicor. No ifs, buts or maybes from them. They definitely weren't going.

And what of the three who went? TNT. Red Star. And Datapost.

For their pains, TNT charged a colossal £25. And arrived a colossal 51 hours late. Red Star, on the other hand, charged a mere £18.40. And were merely a day late.

And Datapost? For the princely sum of £13.90, we said we'd be there by midday, next day.

Admittedly, delivery at 5.30pm was a bit wide of the mark. But we did deliver it the next day. The only courier to do so. And a full 20 hours ahead of our nearest rival. So if your business needs the fastest express courier around, ask yourself this.

Who can you really depend on? Datapost

The Emery saga

There is life after debt

AFTER TWO consecutive loss-making years, speculation surrounds the future of America's *oldest air freight forwarding company* - Emery Airfreight, pioneer of international, integrated air express services.

Last year Emery baffled industry experts by its purchase of Purolator Courier Corporation, a $300m acquisition which increased Emery's debt to $400m and sent stock values plummeting to leave the company vulnerably undervalued.

Formed in 1946, Emery was the brainchild of John Emery Sr who, after tha war, saw many of his former military colleagues establish their own air cargo airlines. He developed an alternative concept – the air freight forwarder, which he designed as responsible for all the ground logistics of arranging air transportation, using the services of any available aircraft operator and providing the systems necessary to track their movements.

In 1948, the CAB, which regulated the US air industry, issued its first Indirect Air Carrier Cer*tificate to the fledgling company.* By 1955 Emery was listed on the American Stock Exchange and this was followed by listings on the New York Stock Exchange in 1962 and on the Pacific Exchange in 1985.

From its US-wide development, Emery opened its first international office in London in 1956. In the early 1960s the company introduced what was considered to be the first computerised shipment tracking system, Emcon. By the 1960s Emery was established as a major US domestic and international air freight forwarder and among tha largest airline customers, buying capacity for shipments and consolidations moving all round the world.

Strategic planning in the early 1970s saw Emery begin to control its own airlift for the first time with the introduction of chartered aircraft on its US domestic system. By this time, Emery was under the control of John Emery Jr, who retired as chief executive *officer and Emery chairman at* the beginning of this year.

In 1981, five years after US aviation deregulation Emery made its most controversial move when it switched from being air air freight forwarder to an integrated operator. With a $130m bank loan, Emery changed the face of air freight forwarding history by establishing a new "super hub" at Dayton, Ohio to support a newly purchased fleet of 24 B727 cargo aircraft for its US domestic operation.

The move to control its own airlift in the US came in the wake of US deregulation when, with heavy dependence on scheduled airline capacity and service, Emery struggled for increased co-operation from the airlines in its efforts to maintain flexibility. As John Emery Jr put it: "We were often at the mercy of airlines whose flights we were using for our airlift. We were only as good as the airline service was – and sometimes that simply wasn't good enough!"

Very soon, Emery's domestic "problem" with the airlines became an international one and so it was that in 1985, John Emery led the company out into the cold and competitive North Atlantic with the launch of its DC8 freighter service to Europe. Pipping Federal Express to the European post, Emery became the only integrated operator to offer UK and European exporters and importers, air fraight door-to-door services for shipments of any size, any weight and any value to and from 56,000 communities in the US.

Today, with a fleet of 90 cargo aircraft operating throughout the US and across the Atlantic, Emery remains unique. Unlike its air express competitors, such as Federal Express, the Emery system permits total flexibility to provide for shipments of any weight via traditional air freight or air express door-to-door, between 24 and 48 hours.

The company now has two major European hubs at Maastricht Airport in Holland and at Manchester in the UK, both of which are served by the DC8 freighter six nights a week. Throughout Europe, small aircraft, such as the Bandeirante 1250, are used as freight feeders. On charter from local airlines, these operate into Maastricht and are supported by a palletised *trucking fleet which serve cen*tres close by the hub. All services operate between European centres, as well as internationally.

For the airlines, Emery is neither fish nor fowl. As an operator, the company obviously competes with certain carriers, some of which refuse to carry Emery traffic except for premium rates while other airlines continue to work with Emery which supplements its own airlift with the use of scheduled airline capacity on many routes around the world.

Over the past few years, Emery has successfully developed its international business although *since* 1986, *it* has faced fierce competition in the US domestic market – particularly at the air express overnight "lightweight" end. There, Emery has been running third behind Fedex and UPS with Purolator in the rear.

In 1986, Emery's US domestic operation was hard hit with a loss of some $32m while the company's international operation remained in the black to the tune of $18m. By the end of the first quarter 1987, Emery results indicated a positive return to profitability at which point the company made what was considered by some an ill-advised move to increase its market share in the US letter and parcels overnight market through the acquisition of Purolator.

Emery's acquisition cost was $348m although the company anticipates that after the sale of *assets and following the assump*tion of Purolator's long-term debt, the net investment will be between $156m and $180m.

Although Emery plans to operate Purolator as a separate subsidiary for an indefinite period, many of the field operations are currently being put together. However, as operational problems will inevitably result from the merger of the two systems, earnings are likely to remain diluted until at least the end of this first quarter and analysts predict that "profits will remain under pressure until the company is able to pay down approximately $155m in *debt associated* with the acquisition."

Emery says that its restructuring programme is proceeding on schedule following its "careful development with the assistance of our financial advisers, Wolfensohn & Co." In the long term, Emery expects to realise savings of $42m pre-tax from the combination of its own "low cost air system and Purolator's low cost line haul operation."

While the merger's smooth progress would have done a lot to restore Emery's US stock market image, the hiring and firing game of musical chairs that has been played out over the past year at the Emery executive management level has done little to allay fears for the company's future. John Emery Jr's departure as chief executive officer and chairman in January 1988 was a year or two *premature and has been* interpreted as a strong indication of a divided management camp.

Emery shareholders are currently being courted by a former Federal Express president, Mr Art Bass, in his attempt to get *support for an Emery turnaround* plan which includes proposals for significant and widespread changes among the executive management. This plan has the firm approval and support of Towers Financial, the investment company which recently caused a flurry of interest with its investment of $1.1m in Emery stock.

Struggling hard to meet its *projected return to profitability* hy the second half of 1988, Emery's recent results show significant shipment volume increases in a market where rates have been gradually hardening. This is a timely response for lurking predators to see that there is plenty of life in the old dog yet.

Anne Hunter

Mr John Hartnett (left), Aer Lingus cargo manager and AerSecuricor director, with Mr Robert Andrews, director and general manager of AerSecuricor

Securicor

Venture with Aer Lingus

ONE OF the top three UK parcels delivery companies, Securicor has to date generally kept a much lower profile than most of its major competitors in an industry where marketing hype tends to run rampant.

That caution and a certain ambivalence towards publicity result in part from the fact that the company's first involvement with parcels-carrying operations came through working for clearing banks, carrying items other than the cash and valuables handled by Securicor's security services. Securicor still visits over 9,000 UK bank branches twice each night to collect and deliver their urgent paperwork but also now works extensively for other industries.

In fact, despite the relatively low profile, Securicor has built up its parcels business marketed under the name Securicor Express to produce an annual turnover for the financial year to the end of September 1987 of £126m, with around £145m being projected for the current year.

To achieve that growth, Securicor is this year looking substantially to sharpen its attack on both the UK domestic and European markets through a number of operational and marketing developments.

Latest developments in the UK, for example, include revamping next-day delivery operations under the marketing identity Night Owl. That will take in Securicor's already-established Swifty premium service which provides next-day before 9.00 delivery nationwide, a before-noon service and a general next-day service, all catering for parcels up to 25 kilos or four cubic feet.

Already accounting for around 75-80 per cent of Securicor's parcels revenue, overnight business is still seen as the area of largest potential growth. Securicor's other UK domestic parcels activities include a two-three day delivery service for parcels up to 50 kilos and its Pony Express immediate response courier operation.

Unlike many of its major competitors, Securicor has opted not to develop a major UK hub and spoke operation involving the use of one major parcels sorting centre. Instead, the company relies on overnight road trunking to link 12 principal UK hubs. Mr Henry McKay, Securicor managing director, says: "The size of our business would negate a hub and spoke operation. We would have a time window problem when it came to sorting all the parcels in time."

Last month Securicor announced it had got together with Irish national airline Aer Lingus to set up a joint venture company called AerSecuricor to develop intra-European door-to-door express parcel operations.

Securicor has operated express parcel services between the UK and the Continent for some years, using its own 5.5 tonne capacity Dart Herald freighter aircraft to fly parcels overnight between Ireland, the UK and the Continent. However, by tying up with Aer Lingus, Securicor believes it will be able to develop better air links in Europe without the need to invest heavily in its own aircraft capacity. The plan is to continue the nightly Dart Herald operation, which is routed Dublin-Birmingham-Brussels, and overlay Aer Lingus freighter aircraft and passenger aircraft capacity on that basic structure.

Particularly significant in the latter context is the fact that in addition to its coverage of 10 continental points out of Dublin (including Boeing 737 freighter flights to Frankfurt, Brussels and Paris), Aer Lingus has just been given fifth freedom traffic rights — enabling the airline to operate between two countries that do not include the home base — for daily flights out of Manchester to four continental points: Amsterdam, Copenhagen, Hamburg and Milan, plus daily services between Birmingham and Brussels, from the end of this month. With increasing liberalisation of the European airline industry as a whole, Aer Lingus hopes to get more such fifth freedom rights.

Owned 50-50 by the two partners, AerSecuricor is capitalised at £500,000 and will be looking to achieve a turnover of £15-20m in its first year of operation.

"There are plans for expanding into inter-continental markets," says Mr Robert Andrews, director and general manager for AerSecuricor. "Exactly when will depend on the pace of development in Europe but I would hope in the not-too-distant future to be able to talk more positively about that."

Initially, though, the emphasis will be on operating intra-European parcels services, based mainly on products already developed by Securicor Express. They include Swifty, an overnight service for small non-dutiable packages and documents; Express, a next-day service for parcels up to 50 kilos; and Standard, a 48-72 hour delivery service for parcels up to 50 kilos and total consignments up to 500 kilos.

In addition, AerSecuricor will offer Aerfast, a same-day delivery service operated between addresses in County Dublin, Republic of Ireland and Greater London, plus an intra-European airport-to-door service for forwarders.

To further boost the door-to-door European delivery services, Securicor is also currently strengthening its collection/delivery arrangements in some continental markets by setting up franchise arrangements to support already-established Securicor operations in the Benelux countries, France and West Germany. That move began a few months ago when Clemant, a company based at Lille Airport, was appointed to handle collection/delivery activities in parts of northern France not covered directly by Securicor itself.

Further continental franchise agreements are likely, says Mrs Linda Shoppee, Securicor marketing director, as the company steps up general promotion and development of European services during the course of this year. "We envisage other franchisees being appointed, particularly in France and West Germany, where we do not at present have total coverage," she adds.

Securicor's general express parcels services should also benefit from a number of current developments involving the group's communications side. For instance, the company is involved with George Wimpey, the construction firm, in developing an automatic vehicle location system called Datatrak.

The system's main feature will be the capability to track live the whereabouts and status of collection/delivery vehicles. That will be achieved using a network of low frequency radio transmitters whose signals will be received and processed by an in-vehicle locator unit to give very high accuracy wherever the vehicle is located, in town or on the open road.

Mr Martin Roberts, Datatrak's marketing and sales director, says the ability to track live will enable companies to further improve both the efficiency and security of their vehicle operations, with the latter feature of particular interest to operators involved in high security, express and dangerous load activities.

"Datatrak presents the fleet controller with a computerised moving map display of the country showing the precise location of his vehicles. Additional data showing the status of the vehicle can also be displayed, including an emergency alarm facility which will be of great benefit in directing the emergency services to the vehicle as quickly as possible," he adds.

Philip Hastings

TNT's decade of growth

Going for the Post Office jugular

TEN YEARS ago, Australian-based transport organisation TNT arrived on the UK freight scene with the acquisition of domestic parcels operator Inter County Express, a company employing 508 staff and achieving an annual turnover of around £6m.

This year, TNT will celebrate its first decade of UK operation with a wide-ranging portfolio of domestic and international express delivery services plus specialist contract distribution activities, a total workforce of close on 7,000, and a turnover now said to be running at £8m a week.

Aggressive and uncompromising in its determination to push through new developments — at the launch last year of a UK domestic business post service a spokesman said the company intended going for the Post Office jugular — TNT UK has not surprisingly hit the news headlines fairly frequently during the last decade.

First came the long-running and ultimately successful battle to take over the delivery of 38m newspapers a week for Rupert Murdoch's News International group from their new printing bases at Wapping and Glasgow. Since then, TNT has won many other newspaper and magazine distribution contracts including, within the last few months, one covering much of News International's new wholesale newspaper distribution network in England.

Last year, TNT was back in the spotlight again with its widely-publicised commitment to purchase 72 British Aerospace 146QT jet freighters, many of them for use in Europe. A few months later, pre-Christmas problems for UK postal services gave TNT the chance to reaffirm its previously-stated intention to take on the Post Office across a wide range of business sectors in the next few years.

Although following the philosophy of its Australian parent organisation, which is constantly looking to develop transport services to handle anything, anywhere, anytime, TNT UK has so far been particularly prominent in the field of express operations, both domestically and internationally. Mr Alan Jones, TNT UK managing director, claims the company has achieved market leadership in the UK express delivery industry.

"We intend to continue our development in the express delivery and specialist contract distribution markets in the years to come. Our aim is to achieve leadership in all our markets," he adds.

The best-known of the company's domestic activities is TNT Overnite, which offers door-to-door guaranteed next-day deliveries nationwide via a massive parcels distribution centre at Atherstone in the Midlands. Launched in 1980, the product range has since been expanded to include guaranteed next morning before 9.00 hours and before noon deliveries, together with Saturday services and other options.

More recently, demand has been growing for even faster and more immediate deliveries. That has led to the development of TNT Sameday, to offer guaranteed same-day deliveries throughout the UK, and TNT Courier which handles immediate local delivery of documents and small parcels within major centres such as London and Greater Manchester.

Another trend becoming increasingly significant in the UK express market involves moves to make services more accessible to customers by establishing points where they can put items into a delivery system. TNT has set up more than 440 parcel offices around the UK. In addition to accepting parcels for delivery via any one of the range of TNT services available, the offices can also hold parcels arriving for collection by customers, for example early in the morning before a normal TNT delivery would be made.

The parcel office network could prove significant as TNT presses ahead with the development of Supamail, a UK domestic business post system launched in 1987 to offer guaranteed delivery times for both letters and heavier items such as computer printouts and video tapes. At the moment, TNT is restricted to putting its Supamail post boxes on private premises but in the longer term it hopes to break the Post Office *monopoly* on general postal services and have a TNT Supamail post-box on every street corner in Britain within 10 years.

Other TNT UK operations include TNT Tristar which offers a range of door-to-door economy services with a money-back guarantee of performance; TNT Transport Systems which covers storage and distribution activities; TNT Truckcare which handles commercial fleet maintenance; and TNT Offshore Islands which, as the name suggests, specialises in handling traffic off the UK mainland.

Outside the domestic arena, TNT UK has made rapid growth in intra-European express delivery services as UK exporters and importers step up their business with other Western European countries. Servicing of that market is in the hands of TNT Ipec, which offers a range of express freight delivery options via some 130 depots in Europe. Current focus of attention for Ipec is on further expansion of its next-day delivery services to add more markets and improve delivery times in areas already served. A key factor in that development is the increasing use of BAe 146 Quiet Trader jet aircraft — three were brought into operation during 1987 and several others are scheduled to join them in 1988 — to sustain key overnight links.

Recent Ipec developments include the launch of two new divisions to spearhead its assault on the intra-European market. One, called TNT Overnite Air Express, will concentrate on the small parcels sector of the market, offering airbased, guaranteed, next-day, door-to-door delivery for documents and parcels throughout the Ipec network. The other division, TNT Ipec European Express, will concentrate on providing express freight road delivery services between the UK and the Continent.

To cater for the worldwide movement of documents, parcels and freight, the TNT organisation has TNT Skypak. With around 700 offices in 184 countries, Skypak now claims to be the world's largest courier company. "We operate through our own offices. The only time we use an agent is in a place where it is not legal for us to have our own office, for example the People's Republic of China where we have a joint venture operation with Sinotrans," says Mr Ivan Couchman, Skypak's regional general manager, UK and Ireland.

To meet growing customer demand for services able to offer courier-style delivery times for larger items, Skypak last year set up TNT Expressair to spearhead development at the heavier end of the international air express business — for items over 30 kilos. However, the most explosive growth at present is coming from Skypak's remail division, TNT Mailfast, which has now established some 40 remail centres around the world. Traffic handled systemwide by Mailfast jumped from around 35 tonnes a week at the beginning of 1987 to nearly 135 tonnes by December.

"In international mail, we now reckon to be the fourth or fifth largest postal operation in the world behind the post offices of the US, the UK, West Germany and maybe France and Japan. Within two or three years we could be second only to the US Post Office, handling perhaps 400 or 500 tonnes of overseas mail a week," claims Mr Paul Moorhouse, Mailfast's UK-based general manager.

Skypak is also taking on the Post Office authorities in the area of European same-day deliveries, having recently launched new services for documents moving between London and six other European centres.

Apart from developing an ever-broadening range of express delivery services, TNT UK is also rapidly stepping up the development of tailor-made distribution systems designed to meet customers' individual specifications. TNT Contract Services is now said to be one of the fastest-growing areas of group activity in the UK.

Philip Hastings

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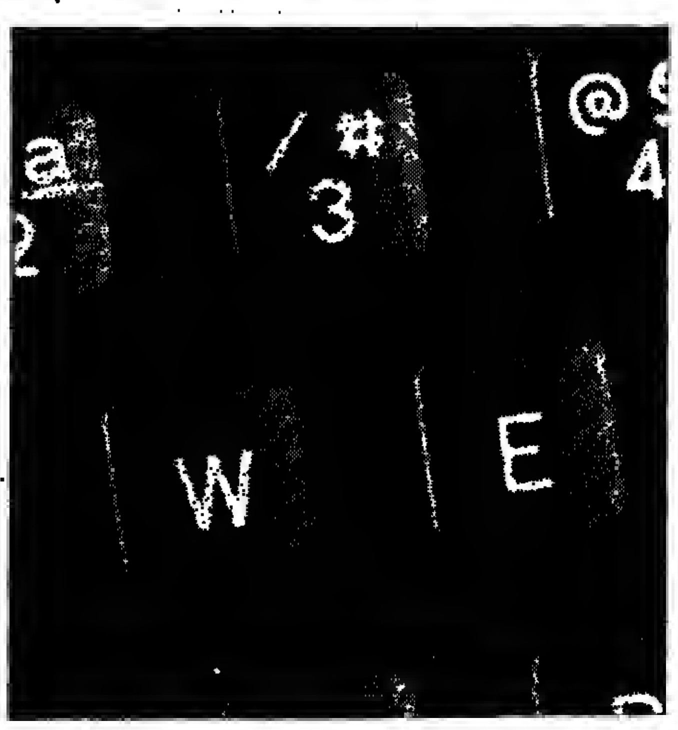

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UK-Europe services

When Continent will be almost like home

ACCELERATING moves to make the European Community one market by the mid-1990s are encouraging further substantial development of express delivery services between the UK and the Continent. Adding impetus to that trend is the likelihood that the Channel Tunnel will be built over the next few years.

The precise impact of that link on express/courier operations is difficult to determine at present, although rail-based UK express parcels operator Red Star is already looking at a number of ideas, but it will encourage more people to think of the UK and the Continent as one domestic market and demand delivery services to match.

In the meantime, current efforts to liberalise the general European airline industry should open up more opportunities for the development of air links between the UK and the Continent to speed up the movement of parcels and freight. Already, documents, parcels and even larger freight can be moved overnight between the UK and many major continental centres, particularly those in the European Community, using a combination of aircraft and road vehicle operations. Now, the race is on among express service operators to expand that overnight delivery capability to encompass larger areas.

Some operators are also beginning to develop scheduled same-day document and parcel services between key European cities. UK Post Office organisation Datapost, for example, now offers timetabled same-day delivery services between the London area and three other European cities - Amsterdam, Paris and Dublin. Similarly, courier company TNT Skypak recently introduced document delivery services linking the London area with Brussels, Zurich, Frankfurt, Amsterdam, Paris and Dublin. On-board couriers accompany traffic using scheduled airline flights.

Just how fast development of UK/Continent same-day and overnight delivery services will continue, though, could depend to some extent on the success of current efforts by the courier/express industry to get customs authorities in Europe and elsewhere to review their treatment

Mr David Tanner, IML group managing director

of parcels traffic and introduce regulations to speed up clearance procedures. A recent move by the Customs Co-operation Council, which represents customs authorities all round the world, to recommend that their members accept the principle that express traffic needs special treatment seems a significant move in the right direction.

In the same context, intra-European parcels operator XP Express Parcel Systems last year took part in an experiment with French customs to reduce paperwork and cut the time taken to deliver small dutiable shipments to Paris. Under the system, XP delivered dutiable goods worth under FFr2,500 with a T2 customs document, indicating that duty had been paid, anywhere in the Paris area, the morning after collection. Previously, deliveries were delayed by the need to complete several forms and obtain customs clearance.

Less encouragingly, much slower progress has been made to date in overcoming any of the fiscal barriers within the European Community which, express operators maintain, threaten the continued rapid development of their services. The operators particularly want to see an acceleration of moves to harmonise VAT and other taxes within EC member states.

Commenting generally on the subject of customs and the air express industry in Europe and worldwide, Mr Brian Fitsall, managing director of DHL International (UK) and deputy chairman of the Association of International Courier and Express Companies, says the ideal free trade environment is still a long way off.

"We must, as a matter of urgency, discuss payment of duty on low value items. We would like to see customs officers available earlier in the day and more officers on duty at peak times. Also, we would like acceptance of documents in advance and simpler paperwork. The resolution of these issues will result in more rapid clearance," claims Mr Fitsall.

Most of the major express operators in the UK/Continent market now use aircraft to provide the longer haul transport. In some cases, companies use their own aircraft fleets; in other instances they send freight using scheduled airline flights. Several operators use a mixture of the two, an aspect highlighted last month when UK parcels company Securicor announced it had linked up with Irish airline Aer Lingus to form a joint venture express company.

AerSecuricor, as the new company is called, will initially concentrate on the operation of UK/Ireland/Europe next-day parcels delivery services.

Particularly prominent among the other operators using their own aircraft fleet to service the UK/Continent market is fast-growing TNT which is pushing ahead with the development of wide-ranging intra-European air operations using British Aerospace 146QT jet freighters able to carry up to around 10.5 tonnes of cargo on each flight. Three are already in service, two of them connecting the UK with West Germany and Sweden, and the company hopes to have a further five in operation in Europe within the next year.

Meanwhile, DHL International is building up a European fleet of Convair 580 aircraft, some of which will operate between the UK and the company's main parcels sorting hub in Brussels, to facilitate the development of through container operations catering for larger consignments. Similarly, sister company Elan International is now using large Merchantman freighter aircraft - three currently fly between the UK, Republic of Ireland, where Dublin has now been added to the schedule as well as Shannon to improve service coverage of the eastern side of Ireland, and West Germany.

Also very much involved with intra-European air operations are the three major US parcels companies active in that market - Federal Express, Emery Worldwide and UPS.

Federal Express, in particular, is known to be planning further substantial development of European operations this year. The company has just agreed to buy five Fokker F27 aircraft for use in Europe, two of them on routes between the UK and its main continental hub at Brussels, and over the next six months intends to open a number of new stations in West Germany, France and other European countries.

Another prominent US express operator and forwarding company, Burlington Air Express, is thinking of using road transport links to help develop express freight services between the UK and the Continent. Mr Alan Draper, Burlington's UK managing director, says the company already runs TIR (trunk and trailer) groupage services from the UK to some 28 destinations in Europe.

"We are planning during the first half of this year additionally to launch some express delivery services. We will be looking at the development of 24-48 hour services from the UK to probably half a dozen markets such as West Germany, Portugal and Ireland, with further developments to include markets such as France, the Benelux and Scandinavia," he says.

Such services are likely to prove particularly attractive to shippers of freight larger than that normally catered for by the express parcels specialists. Already operating in that field are a number of European forwarders like Swiss-based Danzas which runs a door-to-door freight system called Eurapid based on the use of road vehicles to link some 50 main depots via around 160 trunk routes. Countries covered at present include the UK, Ireland, Benelux, France, West Germany, Austria, Switzerland, Italy, Denmark and Spain.

Similarly, UK-based express delivery company Seabourne Express relies mainly on road vehicles to maintain 24-48 hour freight delivery services within Europe, although it is likely to make greater use of scheduled air capacity with the recent acquisition of courier operation Purola-

The race is on to expand overnight deliveries to encompass larger areas

tor Services which specialises in the handling of documents and small parcels. Conversely, many of the international courier companies which have to date been best known for the long-haul movement of documents and small packages are now looking to build up their UK/Continent and general European operations.

A good example among the UK-based couriers is IML which uses scheduled airline capacity and its own chartered aircraft to sustain overnight delivery services between the UK and Europe. "In 1988 we will become even stronger in Europe, both in terms of intra-European trade and for traffic in and out of Europe," says Mr David Tanner, IML's managing director.

Similarly, French-based courier company Jet Services is planning to open a number of offices in the UK this year to join the one already in operation at Heathrow. The company uses both air and road transport to handle the express delivery of bulk shipments such as printed matter as well as standard courier traffic within Europe and overseas.

The planned expansion moves by Jet Services and IML highlight the fact that the UK/Continent express market is going to become ever more competitive over the next few years. Many of the principal UK domestic service operators, for example, are looking to to break into the general European arena as major customers show signs of preferring to select one distribution company to handle every aspect of their express transport needs, both domestic and international. One of the nearest to making that move at present is ANC, the British & Commonwealth company, which hopes to start express services between the UK and several key continental markets in the next few months.

Other UK domestic parcels operators are expanding their existing involvements with the European market. These include Lynx Express Delivery Network through the multinational Euro Express Consortium and rail-based organisation Red Star which is using connections with other European rail authorities to expand its Eurail Express parcel and document services to the Continent. A few months ago, Red Star opened a new continental hub at Charleroi in southern Belgium and now flies European traffic out of Southend to that hub every night. From Charleroi, parcels are distributed by rail and road to their destination.

Phillip Hastings

The Federal Express "Superhub" in Memphis, Tennessee

The big sorting centres

Computerised hubs of activity

FOR MANY leading domestic and international courier/express operations, the large sorting centres that are able to process thousands of parcels and document packages an hour are the focal points. Generally known as hubs, the centres receive incoming consignments from outlying depots carried on road vehicles and aircraft, sort them and then despatch them to final destination via the same transport chain, writes Phillip Hastings.

As traffic volumes have increased, so has the necessity for automated sorting systems which make use of the latest in computer-based technology.

Probably the most famous express parcels-sorting centre in the world is that operated by US carrier Federal Express in Memphis, Tennessee. Known as the Superhub, it employs 3,600 people to sort an average of 800,000 packages a night - most of it during a peak two-hour period around midnight - in a complex which includes more than 17 acres of building under roof and 40 miles of conveyor belts. Parcels are flown into and out of the hub on some 69 aircraft, most of them DC10 and Boeing 727 freighters.

On a rather smaller scale, Federal Express has a sorting hub in the UK which it inherited with the acquisition of domestic parcels company Lex Wilkinson in 1986. Located at Nuneaton in the Midlands, it is said to be already capable of handling up to 10,000 consignments an hour using a computer coding of addresses, with further capacity expansion in the pipeline. A computer system is also used to monitor and trace parcels during their progress through the overall delivery system.

Apart from size, one major difference between the UK hub and its Memphis counterpart is the fact that the former relies on road vehicles rather than aircraft to feeder traffic in and out.

Largest of the sorting hubs currently in operation in the UK is probably that of TNT at Atherstone in Warwickshire. More than 13,000 parcels an hour are handled through a complex of 250,000 sq ft located on a site totalling some 19 acres. Three different computerised sorting systems are used: tilt trays handle items up to 25 kilos and 1.2 metres; tilt slats accommodate items up to 50 kilos and 1.8 metres; and a suspended Nordlift system copes with up to 700 pallets an hour at all weights. Around 200 trailers are used to feeder traffic between the hub and TNT depots around the UK.

Prominent among the other leading express parcels companies to develop a major UK hub operation is the Mayne Nickless-owned operator Parceline which is this year planning further substantial development of its central sorting hub at Sandwell, Birmingham and the introduction of real time consignment tracking. The hub development, which involves the addition of a fourth main conveyor belt at a cost of around £1m to join the three already in operation, is scheduled for the first part of this year, while phasing in of the computerised tracking system is provisionally set to start around July.

More than 60,000 parcels a night are currently handled through a system based on three main conveyor belts each capable of dealing with 4,000 parcels an hour. Sorters use handheld laser guns and manually operated key pads to read and process parcel bar-codes as they pass through the hub. The fourth conveyor belt should be able to run even faster than the existing belts and handle up to 5,000 parcels an hour.

The next major step after that, says Mr Barry Ellis, Parceline chief executive, will be to bring in a realtime computerised parcels tracking system to allow the company to find out quickly the whereabouts of any parcel in its network. That would enable it to tell a customer exactly what had happened to his parcel at any point in its transit.

In the meantime, Parceline is talking to some of its major customers - those generating more than £5,000 or £6,000 of business a week - about installing terminals in their own premises to allow them direct access to information about their parcels.

Among the latest UK parcels operators to move into a new hub is Staffordshire-based ANC. The company's new £5m, 72,000 sq ft hub is located at the Parkhouse Industrial Estate, Newcastle-under-Lyme, only three or four miles from the M6. Average throughput of the hub is now around 30,000 parcels a night. "To cope with that we have installed equipment able to handle up to 9,000 parcels an hour," says Mr David Boon, ANC group marketing director.

Focal point of the new hub is a computerised tracking system capable of monitoring and controlling the movement of parcels throughout ANC's UK national network of 64 depots and within the Parkhouse facility itself. Parcels are bar-coded at the collecting depots, with hand-held data capture devices being used to read off that information at various points during the movement from those depots, through the hub and on to depot of destination. At the hub itself, parcels are sorted and relayed to loading stations via a gravity-fed flatbed conveyor system.

At those stations, handheld scanners are again used to check electronically that each parcel is going into the right transport cage. Once that is done, the operator tells the machine that the cage is loaded and sealed. Each cage is then electronically checked onto the correct trunking vehicle.

The next UK parcels operator to move into a new sorting hub is likely to be Bristol-based Interlink. Having reported a jump in turnover from £14m to nearly £22m and pre-tax profit up from £2.6m to £4.6m for the financial year ended June 1987, the company is this year planning to move into new 77,000 sq ft hub facilities close to its existing parcels sorting centre at Hartlebury in the Midlands.

"We plan to have that up and running from August this year. It will have 70 doors and be equipped with a proper conveyor sortation system to cope with up to 12,000 parcels an hour," says Mr Mark Reddington, operations manager for Interlink. And it will incorporate the bar-coding system already used by Interlink.

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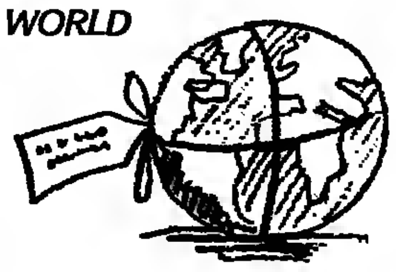

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